Supreme Court, U.S.
FILED

No. 99-118

JUL 15 1999

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IN THE

Supreme Court of the United States

ELK CORPORATION OF DALLAS,

Petitioner,

—v.—

GAF BUILDING MATERIALS CORPORATION, BUILDING MATERIALS CORPORATION OF AMERICA, BUILDING MATERIALS CORPORATION OF AMERICA d/b/a GAF MATERIALS CORPORATION, and GAF MATERIALS CORPORATION,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In "inequitable conduct" cases where an accused infringer seeks to render a patent unenforceable on the ground that the applicant failed to disclose material information to the U.S. Patent and Trademark Office ("PTO"), is the legal standard for determining materiality the "*prima facie* case of unpatentability" standard set forth in the rules of the PTO since 1992, or the "important to a reasonable examiner" standard, which was abandoned by the PTO in 1992, but continues to be applied by the U.S. Court of Appeals for the Federal Circuit?

PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

The Petitioner is Elk Corporation of Dallas ("Elk"). Elk is a wholly-owned subsidiary of Elcor Corporation. Elcor Corporation has issued shares to the public, and is the only parent, subsidiary or affiliate of Elk Corporation of Dallas to have done so.

The Respondents are GAF Building Materials Corporation, Building Materials Corporation of America, Building Materials Corporation of America d/b/a GAF Materials Corporation, and GAF Materials Corporation (collectively "GAF").

TABLE OF CONTENTS

Page

Question Presented i

Parties to the Proceeding and Rule 29.6 Statement ii

Table of Cited Authorities iv

Opinions Below 1

Jurisdiction 1

Regulatory Provision Involved 2

Statement of the Case 2

Reasons for Granting the Petition 9

A. The Federal Circuit May Not Disregard PTO Rule 56 11

B. Historical Background 14

C. The Application Of PTO Rule 56 Would Have Changed The Outcome In This Case 22

D. The Conflict Between The Federal Circuit And The PTO Should Be Resolved 24

Conclusion 28

APPENDICES

Appendix A	Opinion, United States Court of Appeals for the Federal Circuit (February 11, 1999), reported at 168 F.3d 28	1a
Appendix B	Order Re: Defendants' Equitable Defenses, United States District Court for the Northern District of Texas (October 10, 1997 unpublished)	13a
Appendix C	Order for Partial Final Judgment, United States District Court for the Northern District of Texas (April 17, 1998, unpublished)	43a
Appendix D	Order Re: Construction of Patent Claims, United States District Court for the Northern District of Texas (September 29, 1997, unpublished)	45a
Appendix E	Order Denying Petition for Rehearing, United States Court of Appeals for the Federal Circuit (April 16, 1999), reported at 1999 U.S. App. LEXIS 8547	66a
Appendix F	37 C.F.R. §§ 1.56, 1.153	68a

Appendix G	Unofficial Transcript of Oral Argument before the United States Court of Appeals for the Federal Circuit (January 5, 1999)	71a
Appendix H	May 16, 1991 Letter from Paul Weaver to Fred Bergert	112a
Appendix I	U.S. Patent No. 3,613,328 to Morgan, Jr. et al., Abstract of Disclosure and Drawings	117a
Appendix J	U.S. Patent No. Des. 344,144	126a
Appendix K	Manual of Patent Examining Procedure §§ 1503.01, 1504.03	128a

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798 F.2d 1392 (Fed. Cir. 1986) 25, 26, 27

ABF Freight Sys., Inc. v. N.L.R.B.,
510 U.S. 317 (1994) 13

Admiral Corp. v. Zenith Radio Corp.,
296 F.2d 708 (10th Cir. 1961) 16

American Hoist and Derrick Co. v. Sowa and Sons, Inc.,
725 F.2d 1350 (Fed. Cir.), *cert. denied*,
469 U.S. 821 (1984) 17, 26

Argus Chem. Corp. v. Fibre Glass-Evercoat Co.,
759 F.2d 10 (Fed. Cir.), *cert. denied*,
474 U.S. 903 (1985) 18

Atlas Powder Co. v. E.I. DuPont de Nemours & Co.,
750 F.2d 1569 (Fed. Cir. 1984) 18

Babbitt v. Sweet Home Chapter of Communities for a Greater Or., 515 U.S. 687 (1995) 13

Baldwin-Lima-Hamilton Corp. v. Tatnall Measurement Sys. Co., 169 F. Supp. 1 (E.D. Pa. 1958),
aff'd, 268 F.2d 395 (3d Cir.), *cert. denied*,
361 U.S. 894 (1959) 15

Baxter Int'l, Inc. v. McGaw, Inc.,
149 F.3d 1321 (Fed. Cir. 1998) 22

Table of Cited Authorities

Page

Burlington Indus., Inc. v. Dayco Corp.,
849 F.2d 1418 (Fed. Cir. 1988) 18

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385 F. Supp. 1057 (D. Del. 1974) 16

Chevron, U.S.A., Inc. v. Natural Resources Defense Council, 467 U.S. 837 (1984) 13

Chrysler Corp. v. Brown,
441 U.S. 281 (1979) 13

Corning Glass Works v. Anchor Hocking Glass Corp.,
253 F. Supp. 461 (D. Del. 1966), *aff'd in part, rev'd in part*, 374 F.2d 473 (3rd Cir.), *cert. denied*,
389 U.S. 826 (1967) 16

Corona Co. v. Dovan Corp.,
276 U.S. 358 (1928) 20

Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.,
120 F.3d 1253 (Fed. Cir. 1997), *cert. denied*,
__ U.S. __, 118 S. Ct. 1510 (1998) 22, 25

Dickinson v. Zurko,
__ U.S. __, 119 S.Ct. 1816 (1999) 9

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653 F.2d 701 (1st Cir. 1981) 11

Table of Cited Authorities

Page

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168 F.3d 28 (Fed. Cir. 1999) 1

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458 U.S. 141 (1982) 13

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128 F. Supp. 640 (N.D. Ohio 1955),
aff'd, 233 F.2d 179 (6th Cir. 1956) 15

Gambro Lundia AB v. Baxter Healthcare Corp.,
110 F.3d 1573 (Fed. Cir. 1997) 26

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Weaver Popcorn Co., Inc.,
837 F. Supp. 1444 (N.D. Ind. 1992),
aff'd mem., 11 F.3d 1072 (Fed. Cir. 1993),
cert. denied, 511 U.S. 1128 (1994) 27

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203 U.S.P.Q. 745 (D.N.J. 1978),
aff'd, 591 F.2d 1335 (3d Cir.),
cert. denied, 442 U.S. 930 (1979) 16

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925 F.2d 1435 (Fed. Cir. 1991) 18, 26

In re Altenpohl, 198 U.S.P.Q. 289
(Comm'r. Pat. & Trademarks 1976) 16

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Page

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450 U.S. 139 (1981) 14

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747 F.2d 1553 (Fed. Cir. 1984),
cert. denied, 474 U.S. 822 (1985) 3, 25, 26

Kimberly-Clark Corp. v. Johnson & Johnson,
745 F.2d 1437 (Fed. Cir. 1984) 26

Kingsdown Med. Consultants, Ltd. v. Hollister Inc.,
863 F.2d 867 n.15 (Fed. Cir. 1988) (en banc)
cert. denied, 490 U.S. 1067 (1989) 18, 25

Leopold Co. Inc. v. Roberts Filter Mfg. Co., Inc.,
37 U.S.P.Q. 2d 1374 (W.D. Pa. 1995), *aff'd*,
119 F.3d 15, 1997 WL 378008 *4
(unpublished table opinion) (Fed. Cir. 1997) 22

Markman v. Westview Instruments, Inc.,
517 U.S. 370 (1996) 1, 3, 23

Marks v. Polaroid Corp.,
129 F. Supp. 243 (D. Mass. 1955),
aff'd, 237 F.2d 428 (1st Cir. 1956),
cert. denied, 352 U.S. 1005 (1957) 15

Martin v. Ford Alexander Corp.,
160 F. Supp. 670 (S.D. Cal. 1958) 15

Table of Cited Authorities

Page

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451 U.S. 304 (1981) 13

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436 U.S. 618 (1978) 13

Molins PLC v. Textron, Inc.,
48 F.3d 1172 (Fed. Cir. 1995) . . . 6, 8, 10, 18, 26, 27

Multiform Desiccants, Inc. v. Medzam, Ltd.,
133 F.3d 1473 (Fed. Cir. 1998) 18

National Latino Media Coalition v. FCC,
816 F.2d 785 (D.C. Cir. 1987) 11

Northwest Airlines, Inc. v. Transportation Workers Union of Am., 451 U.S. 77 (1981) 13

Norton v. Curtiss, 433 F.2d 779 (C.C.P.A. 1970) 11

Piel v. Falkner, 426 F.2d 412 (C.C.P.A. 1970) 11

Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.,
324 U.S. 806 (1945) 2, 14

Ransburg Electro-Coating Corp. v. Nordson Corp.,
293 F. Supp. 448 (N.D. Ill. 1968) 16

Rolls-Royce Ltd., Derby, Eng. v. United States,
339 F.2d 654 (Ct. Cl. 1964) 15

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Page

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318 F. Supp. 433 (S.D.N.Y. 1970) 16

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453 U.S. 34 (1981) 12

South Corp. v. United States,
690 F.2d 1368 (1982) 11

TSC Indus. v. Northway,
426 U.S. 438 (1976) 17, 19

Tractor Supply Co. v. Int'l Harvester Co.,
155 U.S.P.Q. 420 (N.D. Ill. 1967),
modified, 406 F.2d 53 (7th Cir. 1968) 16

United States v. Haggar Apparel Co.,
__ U.S. __, 119 S. Ct. 1392 (1999) 13, 14

United States v. Morton,
467 U.S. 822 (1984) 12

United States v. Standard Elec. Time Co.,
155 F. Supp. 949 (D. Mass. 1957) 16

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Food Mach. & Chem. Corp.,
382 U.S. 172 (1965) 2

Page

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477 F. Supp. 371 (S.D.N.Y. 1979),
aff'd mem., 633 F.2d 208 (2d Cir. 1980) 16

Waterman-BIC Pen Corp. v. W.A. Sheaffer Pen Co.,
267 F. Supp. 849 (D. Del. 1966) 15

Wen Products, Inc. v. Portable Electric Tools, Inc.,
367 F.2d 764 (7th Cir. 1966) 16

Statutes:

28 U.S.C. § 1254(1) 1

28 U.S.C. § 1295 ..... 1, 17

28 U.S.C. § 1295(a)(1) 7

28 U.S.C. § 1338(a) 1

35 U.S.C. § 6 ..... 11, 12

35 U.S.C. § 6(a) 12

35 U.S.C. § 69 (1946) 15

35 U.S.C. § 103 21

35 U.S.C. § 103(a) 5

35 U.S.C. § 282 15

Page

16 Stat. 198 (1870) 15

66 Stat. 792 (1952) 15

Rules and Other Authorities:

Fed. R. Civ. P. 54(b) 1, 7

15 C.F.R. § 15.11-15.18 26

37 C.F.R. § 1.153 2

37 C.F.R. § 1.56 ..... passim

37 C.F.R. § 1.56(a) (1977) 4, 12

37 C.F.R. § 1.56(b) 4, 21

37 C.F.R. § 1.57(b) 20

42 Fed. Reg. 5588 (1977) 17

54 Fed. Reg. 11,334 (1989) 27

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57 Fed. Reg. 2021 (1992) 4, 10, 21

Table of Cited Authorities

Page

57 Fed. Reg. 2024 (1992) 6

H.R. Rep. No. 312 (1981) 17

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Manual of Patent Examining Procedure § 1503.01 2

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Manual of Patent Examining Procedure § 1701.01 26

4 Donald S. Chisum, *Chisum on Patents* §11.03 [4][b][v] (1997) 24

The Doctrine of Inequitable Conduct And The Duty Of Candor In Patent Procurement: Its Current Adverse Impact On The Operation Of The United States Patent System, 16 AIPLA Q.J. 74, 74-75 (1988) 19

Robert L. Baechtold, *I'm Just Wild About Harry*, 20 AIPLA Q.J. 185, 189 (1992) 6

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Page

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PETITION FOR WRIT OF CERTIORARI

Elk Corporation of Dallas ("Elk") respectfully requests that this Court issue a writ of certiorari to review a direct and important conflict between the United States Court of Appeals for the Federal Circuit and the United States Patent and Trademark Office regarding the standard of materiality in inequitable conduct cases.

OPINIONS BELOW

The opinion of the U.S. Court of Appeals for the Federal Circuit is reported at *Elk Corp. v. GAF Building Materials Corp.*, 168 F.3d 28 (Fed. Cir. 1999) (Appendix A, p. 1a). The opinion of the U.S. District Court for the Northern District of Texas is not reported, but is attached at Appendix B, p. 13a. The district court's Partial Final Judgment pursuant to Fed. R. Civ. P. 54(b) is attached at Appendix C, p. 43a. The district court's "Order Re: Construction of Patent Claims," pursuant to *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996) is not reported, but is attached at Appendix D, p. 45a.

JURISDICTION

Jurisdiction was proper in the U.S. District Court for the Northern District of Texas pursuant to 28 U.S.C. § 1338(a). The appeal to the U.S. Court of Appeals for the Federal Circuit was timely taken pursuant to the provisions of 28 U.S.C. § 1295. The judgment of the Federal Circuit was entered on February 11, 1999, and the Federal Circuit's order denying Elk's timely petition for rehearing was entered on April 16, 1999 (Appendix E, p. 66a). The jurisdiction of this Court to review the judgment of the Federal Circuit is invoked under 28 U.S.C. § 1254(1).

REGULATORY PROVISION INVOLVED

This case involves the application of the regulations of the U.S. Patent and Trademark Office set forth at 37 C.F.R. § 1.56 (attached at Appendix F, p. 68a).

STATEMENT OF THE CASE

On February 8, 1994, Elk sued GAF in the Northern District of Texas for infringing Elk's design patent for a laminated roofing shingle.[1] GAF responded with a counterclaim alleging that Elk's patent was unenforceable because of "inequitable conduct" before the PTO.[2] GAF alleged that, in its patent application to the PTO, Elk had failed to disclose the existence of certain prior art. The required legal

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[1] The patent at issue is Elk's U.S. design patent, Des. 344,144. The patent is entitled "Laminated Shingle," the name by which shingles having a particular type of two-ply construction were known as of the September 16, 1991 filing date of the patent. 37 C.F.R. § 1.153; Manual of Patent Examining Procedure ("MPEP") § 1503.01 (Appendix K, p. 128a). The patent claims the "ornamental design for laminated shingle, as shown and described." As depicted in Figure 1 of Elk's patent (Appendix J, p. 126a) the ornamental design is in the application of three bands or striations of differently colored granules lengthwise along the underlay portion of the laminated shingle. Exposed periodically through the cutouts formed in the overlay portion of the shingle, the striations improve the aesthetics of the shingle and help to create, when the shingle is viewed from a distance, an illusion of depth.

[2] The "inequitable conduct" doctrine was last addressed on the merits by this Court in *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806 (1945). In *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965), this Court resolved the related issue of whether the enforcement of a fraudulently procured patent may violate § 2 of the Sherman Act.

elements of GAF's claim were (1) that the uncited art was "material" to the PTO's issuance of Elk's patent, and (2) that Elk's failure to disclose the prior art was intentional.[3]

At GAF's request, the district court conducted a *Markman* hearing in December 1996 to construe Elk's design patent claim. Subsequently, in February 1997, the court held a hearing and received evidence on GAF's counterclaim of inequitable conduct. The principal ground asserted by GAF was that Elk, in its design patent application, had sought to persuade the PTO that it had invented the entirety of the shingle depicted in its application, rather than the unique design feature of applying three striations of color to the underlay portion of a standard laminated shingle. GAF contended that Elk's motive for not citing a prior art Bettoli patent to the PTO was "ownership fraud" -- that Elk allegedly wanted to hide the fact that the construction of a standard laminated shingle was old, and that its invention was limited to the application of striations of color to a standard laminated shingle.

On September 29, 1997, the district court issued an "Order Re: Construction of Patent Claims," rejecting virtually all of GAF's claim construction arguments, and making several findings that should have been dispositive of the inequitable conduct issue as well.[4] On October 10, 1997, the district court

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[3] *E.g., J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985).

[4] First, the court found that laminated shingles were well known and widely used in the industry by 1991, before Elk's design patent application was filed. (Appendix D, p. 60a). Second the court found that in an amendment filed in the PTO in September 1993, Elk identified the novel feature of its design as the addition of "three striations rather than modifying the physical

(continued...)

issued an "Order Re: Defendant's Equitable Defenses," addressing the inequitable conduct claim. (Appendix B, p.13a).

In the October 10 Order, the district court acknowledged that, in 1992, the PTO had adopted a new rule governing the duty of disclosure in patent application proceedings, including a new definition of "materiality," and that "Elk's compliance with its duty to disclose all material information must be judged by the standards of the current version of 37 C.F.R. Section 1.56."[5]

The previous version of the PTO Rules, in effect between 1977 and 1992, had stated: "information is material where there is a substantial likelihood that a *reasonable examiner* would consider it important in deciding whether to allow the application to issue as a patent." 37 C.F.R. § 1.56(a) (1977) (emphasis added). In rule making proposals in 1989 and 1991, the PTO abandoned that standard, and eventually adopted the current standard, effective March 16, 1992. 57 Fed. Reg. 2021 (1992).

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[4] (...continued)
structure of the shingles." (*Id.*). Third, the court found that the patent examiner understood that Elk was not claiming to have invented the entire shingle and understood what Elk claimed as the novel feature of the application. (*Id.*). Finally, the court found that the examiner was aware of what Elk claimed as the novel feature of the application even before the filing of the September 1993 amendment. (*Id.*). Each of these findings refutes the alleged "ownership fraud" thereby eliminating any possible motive for intentionally withholding prior art from the PTO.

[5] *Id.* at p. 17a. *See* 37 C.F.R. § 1.56 (1998) (entitled "Duty to disclose information material to patentability.") (Appendix F, p. 68a).

In its Order, the district court recited the definition of materiality set forth in the current version of 37 C.F.R. § 1.56(b), which states that "information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and (i) it establishes, by itself or in combination with other information, a *prima facie* case of unpatentability of a claim . . . . " (Appendix B, pp. 17a-18a). The district court observed that "[t]he duty of candor requires disclosure of any information which would make out a *prima facie* case against the application, irrespective of whether the applicant could ultimately overcome it." (*Id.* at p. 18a).

In the Order, the district court ruled that "GAF's allegation of ownership fraud is without merit" because "the court has previously determined that the design patent claimed only the novel features of a laminated shingle, not the entire shingle." (Appendix B, p. 39a; *see* n.4 *supra*). However, contradicting its own findings in its claim construction decision, and contradicting its rejection of GAF's claim of "ownership fraud," the district court concluded that laminated shingles, as such, were material prior art that was known to the Elk inventors and their patent attorneys and should have been specifically cited to the PTO examiner. (Appendix B, pp. 24a-25a).

In its discussion, the district court noted that Elk had demonstrated the "non-obviousness" of its invention.[6]

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[6] (*Id.* at p. 21a n.5). The test of "obviousness" is codified in 35 U.S.C. § 103(a), which states, in pertinent part: "A patent may not be obtained . . . if the differenees between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been

(continued...)

However, in contradiction of its professed understanding of current Rule 56, the district court, relying on *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179-1180 (Fed. Cir. 1995), deemed the nonobviousness of Elk's invention irrelevant to the materiality issue before the court. (Appendix B, p. 21a n.5). The district court failed to note that *Molins* was decided under the "important to a reasonable examiner" definition of materiality that the PTO abandoned in 1992, and that the test for materiality in current PTO Rule 56 is "more objective."[7] The test in current PTO Rule 56 is *precisely* whether a claimed invention would be *prima facie* unpatentable over the uncited prior art. A determination of patentability *requires* an assessment of the novelty and non-obviousness of the claimed invention in light of the uncited prior art.

With regard to the element of intent, the district court cited no direct evidence, but relied entirely on inferences drawn from the fact that Elk knew of, but had failed to disclose, the prior art the district court had found to be material. (Appendix B, pp. 33a-34a). Acknowledging that the issue was a "close question," (*Id.*) the district court concluded "that Elk engaged in inequitable conduct by failing to disclose material prior art . . . when Elk knew of this prior art, had knowledge or should have had knowledge of the materiality of the undisclosed prior art, and withheld the prior art with intent to deceive the Patent and Trademark Office." (*Id.* at p. 42a). The district court's entire decision, including its analysis of intent, turns on the

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[6] (...continued)
obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."

[7] PTO Notice of Final Rulemaking, 57 Fed. Reg. 2024 (1992); Robert L. Baechtold, *I'm Just Wild About Harry*, 20 AIPLA Q.J. 185, 189 (1992).

issue of the materiality of the prior art that Elk allegedly did not disclose.

Because the district court's holding would be dispositive of Elk's patent infringement claims, Elk requested the entry of final judgment on GAF's inequitable conduct counterclaim, pursuant to Fed. R. Civ. P. 54(b), so that Elk could appeal the ruling. On April 17, 1998, the district court made its findings and directed the entry of Partial Final Judgment disposing of that issue. (Appendix C, p. 43a).

On May 14, 1998, pursuant to 28 U.S.C. § 1295(a)(1), Elk filed its Notice of Appeal, seeking review of the district court's Partial Final Judgment in the U.S. Court of Appeals for the Federal Circuit. In their briefs to the Federal Circuit, both parties argued that the issue of materiality was governed by current PTO Rule 56.[8]

On January 5, 1999, the parties presented oral argument to the Federal Circuit. (Unofficial transcript prepared from Federal Circuit audio tape of oral argument, attached at Appendix G, p. 71a). During the argument, when Elk's counsel attempted to explain that, under current PTO Rule 56, the uncited prior art was not material because "it does not together or with something else render the claim unpatentable," the court responded:

> [B]ut that's not the test. The test is whether a competent examiner would have felt that being able to look at this reference was important.

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[8] Although GAF argued that Elk was subject to both the old test and the new test of materiality, neither the district court nor the Federal Circuit adopted that position.

> Not whether it would be dispositive, not whether it was the cause of rejection or allowance, but merely whether it was material enough that he would want to see it.

(*Id.* at p. 81a). At a later point, the court stated: "It's not the dispositive quality, it's just the relevance that controls here." (*Id.* at p. 82a). Finally, the court observed that the "fact finder" in an inequitable conduct case "has to answer the question what would the average examiner find important for purposes of his analysis, objectively determined." (*Id.* at p. 86a).

The Federal Circuit further commented that, where the district court had made findings, "unless you can show us that those findings are really what a fifth grader would call wacked out, I don't see how we can reverse." (*Id.* at p. 83a).

On February 11, 1999, the Federal Circuit issued its opinion affirming the district court's Partial Final Judgment on the inequitable conduct issue. Citing *Molins*, 48 F.3d. at 1179, the Federal Circuit stated: "Information is 'material' when there is a substantial likelihood that a *reasonable examiner* would have considered the information important in deciding whether to allow the application to issue as a patent." (Appendix A, p. 9a) (emphasis added). Because it did not apply the current materiality standard of Rule 56, the Federal Circuit did not go through the required process of construing the invention claimed in Elk's patent and then determining whether the uncited art rendered it *prima facie* unpatentable.

Regarding the element of intent, the Federal Circuit stated: "we have recognized that the more material the omission, the less the degree of intent that must be shown to reach a conclusion of inequitable conduct." (*Id.* at pp. 11a-

12a). Ultimately, the Federal Circuit affirmed the judgment of the district court. (*Id.* at p. 12a).

On February 25, 1999 Elk filed a Petition for Rehearing and Suggestion for Rehearing In Banc, which the Federal Circuit denied without comment on April 16, 1999.[9]

REASONS FOR GRANTING THE PETITION

Like *Dickinson v. Zurko*, __ U.S. __, 119 S. Ct. 1816 (1999), recently decided by this Court, this case presents a direct conflict between the U.S. Court of Appeals for the Federal Circuit and the U.S. Patent and Trademark Office. In this case, and in others like it, the Federal Circuit has refused to apply the standard of materiality set forth in current PTO Rule 56, which governs the duty of disclosure in patent applications submitted to the PTO. Because the first issue in an inequitable conduct case is whether the applicant failed to disclose, *to the PTO*, information *material* to its patent application, the PTO's definition of what *it* considers to be material, unambiguously set forth in valid regulations, logically should be dispositive. The Federal Circuit disagrees.

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[9] Elk's petition emphasized two errors. First, the Federal Circuit confused the invention of Elk's design patent, known at Elk as the "Striation" shingle in 1991, with a completely different Elk invention that is not at issue in this case, known then at Elk as the "Tuscaloosa T-3" shingle. (*Id.* at p. 6a; *See also* letter to searcher referenced by Federal Circuit distinguishing between the two, Appendix H, p. 112a). Second, the Federal Circuit also misunderstood the prior art. It described a critical cited prior art patent (Morgan) as disclosing a single ply strip shingle. (Appendix A, p. 9a). In fact, as the drawings and abstract of Morgan make clear, the patent describes a two-ply composite laminated shingle, just like the allegedly uncited prior art. (Appendix I, p. 117a).

In this case, in reviewing the critical determination of materiality, the Federal Circuit applied the "important to a reasonable examiner" standard of PTO Rule 56 as it existed prior to 1992. In applying that standard, the Federal Circuit made no mention of the fact that, after fifteen years of experience with the "important to a reasonable examiner" standard, and after several years of very thorough consideration of the competing policy interests affected by the standard, the PTO itself abandoned that standard, and adopted the "*prima facie* case of unpatentability" standard of current PTO Rule 56.[10]

In applying the "important to a reasonable examiner" standard, the Federal Circuit also ignored the facts that (1) both parties had argued the current standard to the district court; (2) the district court expressly referred to the current standard; and (3) both parties had argued the applicability of the new standard in their briefs to the Federal Circuit.

In its opinion, the Federal Circuit never mentioned the current PTO standard at all, notwithstanding the fact that, at oral argument, the panel expressly engaged Elk's counsel in a colloquy about the applicable standard. In view of the very explicit reliance of the parties and the district court on the current "*prima facie* case" standard, it is clear that the Federal Circuit's application of the wrong standard of materiality was

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[10] In adopting the current standard, the PTO stated that it would be applicable to all applications pending on the effective date, March 16, 1992. 57 Fed. Reg. at 2021. The Federal Circuit has acknowledged that the current rule applies to applications pending or filed after March 16, 1992. *Molins*, 48 F.3d at 1179 n.8. It is undisputed that the patent application which resulted in Elk's design patent was pending in the PTO on the effective date, and for nearly two years thereafter, until February 8, 1994.

not an oversight, but was a considered, (although unexplained) choice. In light of the validly promulgated regulations of the PTO, the Federal Circuit was not free to make that choice.

A. The Federal Circuit May Not Disregard PTO Rule 56.

It is well-established that the rules of the PTO, including particularly Rule 56 concerning required disclosures to the PTO, have the force and effect of law.[11] Where applicable, such rules are "binding upon all persons, and on the courts, to the same extent as a congressional statute."[12]

In cases alleging inequitable conduct, the "conduct" in question is the adequacy of disclosures to the PTO in connection with an application for a patent. In 35 U.S.C. § 6, Congress has delegated to the Commissioner of the PTO the power to "superintend or perform all duties required by law

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[11] *Digital Equipment Corp. v. Diamond*, 653 F.2d 701, 708 (1st Cir. 1981) ("We think there can be no serious doubt, certainly not at this late date, that Rule 56 constitutes in general a valid exercise of the Commissioner's rulemaking powers under 35 U.S.C. § 6, and therefore has the force and effect of law except as it may conflict with other statutory or constitutional provisions."); *Norton v. Curtiss*, 433 F.2d 779, 791 (C.C.P.A. 1970) (construing Patent Office Rule 56 regarding fraud) ("We have long held that such regulations, when not inconsistent with the statutes, have the force and effect of law."); *Piel v. Falkner*, 426 F.2d 412, 415 (C.C.P.A. 1970); ("Patent Office Rules, when not inconsistent with the statutes from which they are derived, have the effect of law."). In *South Corp. v. United States*, 690 F.2d 1368, 1370 (1982) (in banc), the Federal Circuit ruled that the holdings of its predecessor courts, the Court of Customs and Patent Appeals and the Court of Claims, are binding precedent in the Federal Circuit.

[12] *National Latino Media Coalition v. FCC*, 816 F.2d 785, 788 (D.C. Cir. 1987).

respecting the granting and issuing of patents and the registration of trademarks." 35 U.S.C. § 6(a). To carry out those duties, Congress also delegated to the Commissioner the power to "establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office." *Id.*

Among the different types of "proceedings" before the PTO are proceedings regarding the issuance of patents. Pursuant to its authority under 35 U.S.C. § 6, the PTO has promulgated detailed regulations governing the process that applicants must follow in seeking the issuance of a patent, including regulations defining the information that must be included in the application. The general duty of disclosure is set forth in 37 C.F.R. § 1.56(a), which states: "There is no duty to submit information which is not material to the patentability of any existing claim."

As explained in Part B below, the courts and the PTO have wrestled with the issue of materiality for more than 40 years, and the definition of materiality in current PTO Rule 56 is the product of many years of consideration of the competing policies and interests affected by the Rule. In cases alleging inequitable conduct, where the basic issue is the sufficiency of disclosures to the PTO, the Federal Circuit is not free to ignore the PTO's validly promulgated Rules expressly defining what must be disclosed.[13] It is axiomatic that, after Congress has directly addressed a question, the applicable statutory provisions displace, and preempt, any prior federal "common

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[13] "Because Congress explicitly delegated authority to construe the statute by regulation," the courts must give the regulations "controlling weight." *United States v. Morton*, 467 U.S. 822, 834 (1984); *Schweiker v. Gray Panthers*, 453 U.S. 34, 44 (1981).

law" standards that directly conflict with the federal statute.[14] The same principle applies with respect to standards set forth in federal regulations, because "[f]ederal regulations have no less pre-emptive effect than federal statutes."[15] In this case, because there is a clear conflict between the common law standard developed by the Federal Circuit and the federal regulatory standard promulgated by the PTO, the common law standard must give way.

Apart from the preemption analysis, this Court's prior decisions make clear that the Federal Circuit is not free to substitute its judgment for that of the PTO on the subject of the duty of disclosure in proceedings before the PTO.[16] As this Court concluded in *Chevron, U.S.A., Inc. v. Natural Resources Defense Council*, 467 U.S. 837, 866 (1984), "[t]he responsibilities for assessing the wisdom of such policy choices and resolving the struggle between competing views of the public interest are not judicial ones: 'Our Constitution vests such responsibilities in the political branches.'"[17] The Federal Circuit should be instructed to recognize the controlling effect

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[14] *See Milwaukee v. Illinois*, 451 U.S. 304, 314 (1981); *Northwest Airlines, Inc. v. Transportation Workers Union of Am.*, 451 U.S. 77, 95 n.34 (1981); *Mobil v. Higginbotham*, 436 U.S. 618, 630 (1978).

[15] *Fidelity Fed. Sav. and Loan Ass'n v. de la Cuesta*, 458 U.S. 141, 153 (1982) (federal regulation preempting state common law). *Accord Chrysler Corp. v. Brown*, 441 U.S. 281, 295-96 (1979). *See Milwaukee*, 451 U.S. at 312-323.

[16] *See, e.g., Babbitt v. Sweet Home Chapter of Communities for a Greater Or.*, 515 U.S. 687, 708 (1995); *ABF Freight Sys., Inc. v. N.L.R.B.*, 510 U.S. 317, 324 (1994).

[17] *Accord United States v. Haggar Apparel Co.*, __ U.S. __, __, 119 S. Ct. 1392, 1399 (1999).

of *Chevron*, and should be instructed to apply the materiality standard of PTO Rule 56 in the review of inequitable conduct cases.[18]

B. Historical Background.[19]

In 1945, at the time of this Court's decision in *Precision Instrument*, no statute or regulation specifically provided for an "inequitable conduct" defense to a claim of patent infringement. In its decision, this Court cited no statutory basis, but found that "perjury and undisclosed knowledge of perjury" had occurred, 324 U.S. at 816, and that those facts "justified dismissal by resort to the unclean hands doctrine." *Id.* at 819.[20]

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[18] *See Haggar*, 119 S. Ct. at 1398-1401 (vacating judgment of Federal Circuit for disregarding customs regulations in violation of *Chevron*.); *INS v. Jong Ha Wang*, 450 U.S. 139, 143 (1981) (vacating judgment of Ninth Circuit for ignoring INS procedural regulation).

[19] A comprehensive discussion of the inequitable conduct defense through 1993 is set forth in Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 Harv. J.L. & Tech. 37 (1993). The inequitable conduct defense has been a fertile ground for scholarly commentary. At least 37 articles, notes or comments have addressed the subject since 1988. In 1988, and again in 1992, the American Intellectual Property Law Association ("AIPLA") published special double issues of the AIPLA Quarterly Journal, comprised exclusively of articles devoted to the subject of the law of inequitable conduct. *See* 16 AIPLA Q.J. 1-286 (1988) & 20 AIPLA Q.J. 1-230 (1992). Collectively, those articles provide a summary of the patent bar's practical and policy concerns with the "important to a reasonable examiner" standard.

[20] At the time, the applicable statute provided a defense to a claim of infringement where the patent application disclosed "less than the whole truth" if the applicant had acted with "the purpose of deceiving the public" or where the patent had been obtained "surreptitiously or unjustly." (continued...)

When the patent laws were revised in 1952, the new statute stated that, in an infringement action, "[t]he following shall be defenses . . . and shall be pleaded: (1) Noninfringement, absence of liability for infringement, or unenforceability . . . ."[21] Neither the statute itself nor the legislative history set out any standards for applying those defenses. The rules of the Patent Office, which had been adopted in 1949, prohibited fraud, but did not reference the concept of inequitable conduct, and did not define what constituted fraud. 37 C.F.R. § 1.56 (1951).

After this Court's decision in *Precision Instrument*, the lower courts attempted to develop standards for applying the inequitable conduct defense. With regard to materiality, different circuits developed different standards. Some courts applied a subjective "but for" test, attempting to decide whether the omissions or misstatements actually influenced the issuance of the patent.[22] In other courts, an objective "but for" test

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[20] (...continued)
Consolidated Patent Act of 1870, Section 61, 16 Stat. 198 (codified as amended at 35 U.S.C. § 69 (1946)).

[21] 66 Stat. 792 (1952) (codified as amended at 35 U.S.C. § 1 *et seq.* (1952)), 35 U.S.C. § 282.

[22] *See, e.g., Waterman-BIC Pen Corp. v. W.A. Sheaffer Pen Co.*, 267 F. Supp. 849, 856 (D. Del. 1966); *Rolls-Royce Ltd., Derby, Eng. v. United States*, 339 F.2d 654, 657 (Ct. Cl. 1964); *Baldwin-Lima-Hamilton Corp. v. Tatnall Measurement Sys. Co.*, 169 F. Supp. 1, 24-25 (E.D. Pa. 1958), *aff'd*, 268 F.2d 395 (3d Cir.), *cert. denied*, 361 U.S. 894 (1959); *Martin v. Ford Alexander Corp.*, 160 F. Supp. 670, 685 (S.D. Cal. 1958); *Foundry Equip. Co. v. Carl-Mayer Corp.*, 128 F. Supp. 640, 641 (N.D. Ohio 1955), *aff'd*, 233 F.2d 179 (6th Cir. 1956); *Marks v. Polaroid Corp.*, 129 F. Supp. 243, 268 (D. Mass. 1955), *aff'd*, 237 F.2d 428 (1st Cir. 1956), *cert. denied*, 352
(continued...)

developed, under which undisclosed information would be material if its disclosure would have precluded issuance of the patent.[23] Subsequently, a third standard for determining materiality evolved, holding that information could be material, if it *may have* had an impact on the issuance of the patent.[24] In 1976, the Commissioner of Patents and Trademarks issued an opinion adopting the latter standard of materiality for disclosures to the Patent Office.[25]

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[22] (...continued)
U.S. 1005 (1957).

[23] *See, e.g., Wen Prods., Inc. v. Portable Elec. Tools, Inc.*, 367 F.2d 764, 767 (7th Cir. 1966); *Admiral Corp. v. Zenith Radio Corp.*, 296 F.2d 708, 716-17 (10th Cir. 1961); *Ransburg Electro-Coating Corp. v. Nordson Corp.*, 293 F. Supp. 448, 484 (N.D. Ill. 1968); *Tractor Supply Co. v. Int'l Harvester Co.*, 155 U.S.P.Q. 420, 434 (N.D. Ill. 1967), *modified*, 406 F.2d 53 (7th Cir. 1968); *United States v. Standard Elec. Time Co.*, 155 F. Supp. 949, 952-53 (D. Mass. 1957); *Corning Glass Works v. Anchor Hocking Glass Corp.*, 253 F. Supp. 461, 469 (D. Del. 1966), *aff'd in part, rev'd in part*, 374 F.2d 473 (3rd Cir.), *cert. denied*, 389 U.S. 826 (1967).

[24] *See, e.g., Warner-Jenkinson Co. v. Allied Chem. Corp.*, 477 F. Supp. 371, 396 (S.D.N.Y. 1979), *aff'd mem.*, 633 F.2d 208 (2d Cir. 1980); *Grayhill, Inc. v. AMF, Inc.*, 203 U.S.P.Q. 745, 773 (D.N.J. 1978), *aff'd*, 591 F.2d 1335 (3d Cir.), *cert. denied*, 442 U.S. 930 (1979); *CPC Int'l, Inc. v. Standard Brands, Inc.*, 385 F. Supp. 1057, 1069 (D. Del. 1974); *SCM Corp. v. Radio Corp. of America*, 318 F. Supp. 433, 449-50 (S.D.N.Y. 1970).

[25] *See In re Altenpohl*, 198 U.S.P.Q. 289, 310 (Comm'r. Pat. & Trademarks 1976) ("Further, the materiality of the prior art withheld need not necessarily be such that applicant or counsel believed it would render any of the claims unpatentable. It need only be such that the patent might not have issued had full disclosure been made.").

In 1977, the PTO amended Rule 56 to provide a definition of materiality, requiring disclosure of information where "there is a substantial likelihood that a reasonable examiner would consider it important." 37 C.F.R. § 1.56 (1977). In the Notice of Final Rulemaking, the PTO stated that the rule "codifies the existing Office policy on fraud and inequitable conduct, which is believed consistent with the prevailing case law in the federal courts . . . The section should have a stabilizing effect on future decisions in the Office and may afford guidance to courts as well." 42 Fed. Reg. 5588, 5589 (1977). The Notice stated that the 1977 definition of materiality was a paraphrase of the definition of materiality in this Court's decision in *TSC Indus. v. Northway*, 426 U.S. 438 (1976), which dealt with proxy solicitations under the securities laws. *Id.*

In 1982, Congress created the U.S. Court of Appeals for the Federal Circuit, and granted the Federal Circuit exclusive jurisdiction over all appeals in patent cases. 28 U.S.C. § 1295. One of the goals of Congress was to bring uniformity to patent law.[26]

In its early decisions in appeals of inequitable conduct cases, the Federal Circuit recognized that four different standards of materiality existed, but stated: "There is no reason, however, to be bound by any single standard."[27] The Federal

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[26] *See* S. Rep. No. 275 at 5-6 (1982), reprinted in 1982 U.S.C.C.A.N. 11, 15-16; H.R. Rep. No. 312 at 20-23 (1981).

[27] *American Hoist and Derrick Co. v. Sowa and Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984). In *American Hoist*, the Federal Circuit observed that there were four different standards of (continued...)

Circuit has never acknowledged the controlling effect of *either* old PTO Rule 56 *or* current Rule 56, but adopted the "important to a reasonable examiner" standard of old PTO Rule 56 as a matter of federal common law, stating: "The PTO 'standard' is an appropriate starting point for any discussion of materiality, for it appears to be the broadest, thus encompassing the others, and because that materiality boundary most closely aligns with how one ought to conduct business with the PTO."[28]

Between 1982 and 1991, due in part at least to the ambiguity of the "important to a reasonable examiner" standard of materiality, there was a substantial increase in the number of cases asserting claims of inequitable conduct. The situation became so bad that the Federal Circuit complained that "the habit of charging inequitable conduct in almost every major patent case has become an absolute plague."[29]

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[27] (...continued)
materiality, and found that, on the facts of that case, it would have been proper to instruct the jury as to *any one* of three of the standards. *Id.* at 1362-1363.

[28] *Id.* at 1363. *Accord Halliburton Corp. v. Schlumberger Tech. Corp.*, 925 F.2d 1435, 1440 (Fed. Cir. 1991); *Argus Chem. Corp. v. Fibre Glass-Evercoat Co.*, 759 F.2d 10, 14 (Fed. Cir.), *cert. denied*, 474 U.S. 903 (1985); *Atlas Powder Co. v. E.I. DuPont de Nemours & Co.*, 750 F.2d 1569, 1578 (Fed. Cir. 1984).

[29] *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988), *quoted in Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1482 (Fed. Cir. 1998); *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995); *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 n.15 (Fed. Cir. 1988) (en banc), *cert. denied*, 490 U.S. 1067 (1989).

In a position paper issued in 1988, the American Intellectual Property Law Association ("AIPLA") criticized the "important to a reasonable examiner" standard of PTO Rule 56, and its implementation by the courts, as creating uncertainty, unpredictability of results, and a proliferation of fraud charges.[30] The AIPLA noted that, in adopting the "important to a reasonable examiner" standard, the PTO had "borrowed" the materiality standard from *TSC Industries*, and observed that while such a standard is appropriate in the context of a proxy solicitation from shareholders under the rules of the Securities and Exchange Commission, "it has little, if anything, to do with prior art information that should be disclosed to an examiner during prosecution of a patent application." *Id.* As the Report explained:

> An examiner in the Patent and Trademark Office is not in the same position as a shareholder who is asked to submit a proxy. The examiner is a skilled government officer who usually is a trained engineer and frequently a lawyer as well. The examiner is charged by law with the duty of examining a patent application in view of the prior art and has available the voluminous collection of prior art in the PTO.

Id.

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[30] *The Doctrine Of Inequitable Conduct And The Duty Of Candor In Patent Procurement: Its Current Adverse Impact On The Operation Of The Unite d States Patent System*, 16 AIPLA Q.J. 74, 74-75 (1988) (hereinafter referred to as "AIPLA Report"). The AIPLA estimated that "inequitable conduct is raised as a defense to claims of patent infringement in 80% of the cases before the courts." *Id.*

After tracing the history of Rule 56 and the various standards for materiality, the AIPLA urged the PTO to amend Rule 56 to incorporate the "but for" standard of materiality. *Id.* at 79. As support for the "but for" standard, the AIPLA cited this Court's decision in *Corona Co. v. Dovan Corp.*, 276 U.S. 358 (1928). In *Corona*, in dealing with a claim similar to the modern claim of inequitable conduct, this Court upheld the validity of the patent, holding that "the affidavits, though perhaps reckless, were not the basis for it [the patent grant] or essentially material to its issue." *Id.* at 374.

After the AIPLA Report, an extensive debate took place within the patent bar and in the PTO regarding the materiality standard.[31] In 1989, the PTO issued proposed rules that would have changed the standard of materiality. 54 Fed. Reg. 11,344 (1989). In a new Section 1.57(b), the PTO proposed that applicants be required to disclose all information that "would render unpatentable any pending claim." 54 Fed. Reg. at 11,341. In the Preamble to the Proposed Rules, the PTO noted the responsibilities of candor and good faith, and stated that it believed "these purposes can be accomplished by specifying the threshold level of materiality to conform with an objective 'but for' standard . . . ." *Id.* The PTO observed that "[t]he 'but for' standard of materiality should result in a more predictable duty of disclosure because it is based on a statutory standard of patentability." *Id.*

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[31] *See* Jerome G. Lee, *Introduction: The Special Ad Hoc AIPLA Committee On Rule 56 And The Evolution Of Proposed Rule 57*, 16 AIPLA Q.J. 1 (1988) ("No subject in patent law practice has stimulated more controversy in recent years than the application of Rule 56 by the Patent and Trademark Office . . . and by the courts.")

Subsequently, in 1991, the PTO withdrew the 1989 Proposed Rules, and proposed new amendments. 56 Fed. Reg. 37,321 (1991). In the Preamble to the 1991 Proposed Rules, the PTO stated:

> Proposed § 1.56(b) presents a clearer and more objective definition of the information material to patentability. The current definition, based on what would be important to a reasonable examiner in deciding whether to allow the application to issue as a patent, has been criticized as vague and because it does not correlate with any concept applied in other areas of the patent law. The revised definition is framed in terms of alternative objective criteria that emphasize the direct connection between the disclosure standard and the examination process.

Id. at 37,322. The Preamble notes that the proposed rule "would ensure that the *most pertinent* information is considered during the examination by the Office." *Id.* (emphasis added). In explaining the proposed standard, the PTO stated: "For example, if the information establishes that the subject matter of at least one claim . . . *prima facie* would have been obvious to a person of ordinary skill in the art under 35 U.S.C. 103, . . . it must be cited under proposed § 1.56(b)(1)." *Id.* at 37,324.

In 1992, after receiving and considering numerous comments, the PTO issued a Notice of Final Rulemaking, in which it adopted Final Rules amending the standard of materiality. 57 Fed. Reg. 2021 (1992). In response to comments regarding the effective date of the amendments, the PTO stated: "The Office will apply the new rules to

all applications pending on, or filed on or after, the effective date of the rules." *Id.* at 2,033.

In the seven years since that amendment, the Federal Circuit has never once applied the materiality standard set forth in current PTO Rule 56. In at least four cases, including this one, it is clear that the current version of PTO Rule 56 should have been applied, because the patent application at issue was pending after March 16, 1992.[32] However, in all of those cases, the Federal Circuit ignored the "*prima facie* case of unpatentability" standard of current PTO Rule 56, and without any explanation, applied the "important to a reasonable examiner" standard of materiality set forth in old PTO Rule 56.

C. The Application Of PTO Rule 56 Would Have Changed The Outcome In This Case.

Unlike the "important to a reasonable examiner" standard, the current Rule requires the district court to

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[32] *See Elk*, Appendix B, p. 17a; *Baxter Int'l, Inc. v. McGaw, Inc.*, 149 F.3d 1321 (Fed. Cir. 1998) (applying "important to a reasonable examiner standard" where patent issued on December 15, 1992); *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257-1258 (Fed. Cir. 1997), *cert. denied*, __ U.S. __, 118 S. Ct. 1510 (1998) (omitting "*prima facie* case of unpatentability" from quotation of current rule and applying "important to a reasonable examiner" standard for reissue patent issued on October 19, 1993); *Leopold Co. Inc. v. Roberts Filter Mfg. Co., Inc.*, 37 U.S.P.Q.2d 1374 (W.D. Pa. 1995) (finding of fact that '427 patent was issued on September 22, 1992), *aff'd*, 119 F.3d 15, 1997 WL 378008, *4 (unpublished table opinion) (Fed. Cir. 1997) (applying "important to a reasonable examiner" standard and failing to mention PTO Rule 56). In cases where the date of issuance of the patent is not stated in the court's opinion, it may be obtained from the patent database at the PTO's website, <http://www.uspto.gov/>.

determine whether the uncited information, by itself or together with other information, establishes a "*prima facie* case of unpatentability."[33] Under that standard, the district court is required to make the determination of materiality *without considering extrinsic evidence*, by comparing the uncited prior art with the claim in the patent at issue. That process is similar to the procedure for claim construction prescribed by this Court in *Markman*. Based solely on the claim and the disclosure in the uncited prior art, and the legal arguments of the parties, the court must then determine whether the uncited prior art would render the claim at issue *prima facie* unpatentable.

In this case, the correct application of the current standard would have changed the outcome. Current Rule 56 requires a determination of whether the *claimed invention* is *prima facie* unpatentable in view of the uncited art. Elk's patent claim reads as follows: "The ornamental design for laminated shingle, as shown and described." (Appendix J, p. 126a). As the district court found in its *Markman* decision, the patent examiner knew that the laminated shingle shown and described in Elk's patent was old and that only the ornamental striations on the underlay portion were new. *See* n. 4 *supra*. Current Rule 56 provides that "information is material to patentability when it is not cumulative to information already of record". Thus, there was no basis for the district court's conclusion that the Bettoli patent was material uncited prior art because Bettoli disclosed the laminated shingle that was already of record in Elk's patent drawings.

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[33] Black's Law Dictionary defines "*prima facie*" as "[a]t first sight; on the first appearance; on the face of it; so far as can be judged from the first disclosure . . . ." Black's Law Dictionary 1189 (6th ed. 1990).

Moreover, on appeal, the application of the correct standard would have required the Federal Circuit to construe the *claimed invention* set forth in Elk's patent. If it had gone through that process, the Federal Circuit would not have confused the invention at issue in this case with a totally separate Elk shingle that was not at issue. (*See* n.9 *supra*).[34]

D. The Conflict Between The Federal Circuit And The PTO Should Be Resolved.

As explained above, a direct and important conflict exists between the PTO and the Federal Circuit regarding the standard of materiality to be applied in inequitable conduct cases. The conflict is squarely presented in this case, and should be resolved to eliminate the uncertainty caused by the Federal Circuit's position.[35]

The issue is of enormous significance to patent practitioners, and their clients, for several reasons. First, as the Federal Circuit has observed, claims of inequitable conduct are now routinely asserted in most patent infringement cases. Because there will rarely be direct evidence of intent, such claims turn primarily on the court's conclusions regarding

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[34] Had current Rule 56 been applied, the district court and the Federal Circuit also could not have regarded the uncited Giles patent as material because Elk's claimed invention could not be deemed *prima facie* unpatentable in view of it. *See* MPEP § 1504.03, (Appendix K, p. 132a), and the cases cited therein.

[35] *See* 4 Donald S. Chisum, *Chisum on Patents* §11.03 [4][b][v] at 11-180 (1997) ("[A]n issue the courts must resolve is whether the PTO's altered administrative standard should have any influence on the judicially-defined materiality standard.").

materiality, as the district court and Federal Circuit opinions did in this case.[36]

Second, for the patent holder, the consequences of a finding of inequitable conduct are severe. "When a court has finally determined that inequitable conduct occurred in relation to one or more claims during prosecution of the patent application, the entire patent is rendered unenforceable." *Kingsdown*, 863 F.2d at 867.

Third, under the existing body of Federal Circuit precedent, the analysis under the "important to a reasonable examiner" standard is little more than a guess as to what a technically trained examiner, who is also deemed to "have knowledge of the level of skill in the art" in question, would find important in reviewing a patent application, without regard to whether it would have had any impact at all on the patentability of the claimed invention.[37] For practitioners, the

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[36] *See* Appendix G, p. 92a. Under Federal Circuit precedent, "[w]here an applicant or his attorney knew or should have known that a reference was material . . . the failure to disclose the reference is sufficient to establish intent." *A.B. Dick*, 798 F.2d at 1398, *citing J.P. Stevens*, 747 F.2d at 1564 ("[I]ntent is established where an actor in an applicant's position would have reasonably known that the reference was material . . . ."). Although the Federal Circuit in *Kingsdown* stated that "gross negligence" does not compel a finding of intent, it did not expressly address or overrule *A.B. Dick* or *J.P. Stevens*. Subsequently, in *Critikon*, 120 F. 3d at 1256, the Federal Circuit again held that "intent may be inferred where a patent applicant knew, or should have known," that withheld information would be material to the PTO's consideration of the patent application.

[37] Obviously, the best way to determine what a "reasonable examiner" would find material would be to ask the examiner who actually reviewed the patent application. However, "[i]t is the policy of the Patent and Trademark

(continued...)

"important to a reasonable examiner" standard is no standard at all, because the outcome is almost completely unpredictable.[38] Under the standard as it has been applied by the Federal Circuit, the court may find inequitable conduct, and declare the patent unenforceable, even if it is undisputed that the patent examiner

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[37] (...continued)
Office that its employees, including patent examiners, will not appear as witnesses or give testimony in legal proceedings, except under the conditions specified in 15 C.F.R. Part 15, Subpart B," which requires prior authorization from the General Counsel, the Solicitor, or the appropriate agency counsel. MPEP § 1701.01; *see* 15 C.F.R. §§ 15.11-15.18. Further, "[e]mployees are prohibited from giving expert or opinion testimony" and are "prohibited from answering hypothetical or speculative questions." MPEP § 1701.01 (citations omitted). Thus, examiners are not generally called as witnesses in inequitable conduct cases.

[38] *See American Hoist*, 725 F.2d at 1364 ("[W]e recognize that 'fraud in the PTO' is an area of law fraught with confusion and contradiction."). *Compare Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1435, 1440 (Fed. Cir. 1991) (no obligation to disclose material prior art patents that are "less material than those already before the examiner") *with Elk*, Appendix B at p. 30a (obligation to disclose prior art without making judgment as to degree of materiality); *compare Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1456 (Fed. Cir. 1984) (finding of inequitable conduct reversed where examiner had cited the same prior art in connection with a different application) *with J.P. Stevens*, 747 F.2d at 1563-64 (fact that examiner could have seen reference to prior art in other applications did not preclude finding inequitable conduct); *compare American Hoist*, 725 F.2d at 1362 ("Of course, as previously noted, fraud, and thus materiality, are relevant only to information that might prevent claims from being allowed.") *with Molins*, 48 F.3d at 1180 (that the claims may be patentable over the withheld prior art is not the test for materiality); *compare Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1580 (Fed. Cir. 1997) ("A reference which merely replicates references already before the examiner, however, is not material.") *with A.B. Dick Co.*, 798 F.2d at 1397-98 (Fed. Cir. 1986) (prior patent actually considered by the examiner found to be material).

was, in fact, aware of the undisclosed prior art, actually considered the undisclosed prior art, and issued the patent notwithstanding the undisclosed prior art.[39] That is exactly what happened in this case.[40]

Finally, to complicate matters further, the Federal Circuit has also noted that inequitable conduct may be found where the practitioner has disclosed *too much* prior art.[41] Thus, practitioners are faced with the classic "Goldilocks" dilemma -- their disclosures of prior art must be not too little, not too much, but just right.

In view of the potential consequences, the standards for finding inequitable conduct should be very clear.[42] For the

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[39] *See A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392 (Fed. Cir. 1986). The *A.B. Dick* decision "sent tremors of fear through the bar." Harry F. Manbeck, Jr. *The Evolution and Issue of New Rule 56*, 20 AIPLA Q.J. 136, 139 (1992) (Mr. Manbeck was the Commissioner of Patents and Trademarks from March 12, 1990 to May 1, 1992). In its original proposal to abolish the "reasonable examiner" standard, the PTO was motivated in part at least by the need "to avoid the harsh effects of *A.B. Dick*." 54 Fed. Reg. 11,334 (1989).

[40] See pp. 5 and 23-24 *supra*.

[41] *Molins*, 48 F.3d at 1184 ("burying a particularly material reference in a prior art statement containing a multiplicity of other references can be probative of bad faith"); *Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co., Inc.*, 837 F. Supp. 1444, 1477 (N.D. Ind. 1992), *aff'd mem.*, 11 F.3d 1072 (Fed. Cir. 1993), *cert. denied*, 511 U.S. 1128 (1994).

[42] Attorney Thomas R. Felger, who did not begin working on Elk's application until October 1, 1992, more than six months after the current version of PTO Rule 56 took effect, is named in both the district court and Federal Circuit decisions in this case. It is not only illogical but also

(continued...)

same reasons, if a trial court makes such a finding, it should be subject to meaningful appellate review. Under the "important to a reasonable examiner" standard, as applied by the Federal Circuit, a materiality determination by the district court is not only unpredictable, but also essentially unreviewable.[43]

CONCLUSION

For the foregoing reasons, this Court should issue a writ of certiorari to the U.S. Court of Appeals for the Federal Circuit, and vacate the judgment of the Federal Circuit for failure to apply the standard of "materiality" set forth in PTO Rule 56.

Respectfully submitted,

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July 15, 1999

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[42] (...continued)
entirely unfair to judge his conduct under the standards of a rule that no longer existed when he first began working on Elk's application.

[43] *See* Transcript, Appendix G, p. 83a ("wacked out" standard of appellate review).

APPENDIX A

ELK CORPORATION OF DALLAS

v.

GAF BUILDING MATERIALS CORPORATION, Building Materials Corporation of America, Building Materials Corporation of America d/b/a/ GAF Materials Corporation, and GAF Materials Corporation

No. 98-1369

United States Court of Appeals,
Federal Circuit.

168 F.3d 28

February 11, 1999

Manufacturer of roofing shingles brought action against competitors, alleging infringement of design patent. Competitors counterclaimed, alleging that patent was unenforceable due to inequitable conduct. The United States District Court for the Northern District of Texas, Jorge A. Solis, J., held patent unenforceable, and manufacturer appealed. The Court of Appeals, Plager, Circuit Judge, held that manufacturer's failure to disclose to Patent and Trademark Office (PTO) two prior art patents was inequitable conduct that rendered patent unenforceable.

Affirmed.

1. Patents 97

Applicants for patents, including their patent attorneys, are required to prosecute patent applications in the Patent and Trademark Office (PTO) with candor, good faith, and honesty, and breach of this duty may constitute inequitable conduct. 37 C.F.R. § 1.56.

2. Patents 97

Inequitable conduct due to failure to disclose material information must be proven by clear and convincing evidence of: (1) prior art that was material; (2) knowledge chargeable to an applicant of that prior art and of its materiality; and (3) failure of the applicant to disclose the art resulting from an intent to mislead the Patent and Trademark Office (PTO).

3. Patents 97

Proof of inequitable conduct before the Patient and Trademark Office (PTO) may be rebutted by a showing that: (1) the prior art was not material; (2) if the prior art was material, a showing that the applicant did not know of that art; (3) if the applicant did know of that art, a showing that the applicant did not know of its materiality; or (4) a showing that the applicant's failure to disclose the art did not result from an intent to mislead the PTO.

4. Patents 324.54, 324.55(2)

Because inequitable conduct before the Patent and Trademark Office (PTO) is an equitable issue committed to the discretion of the district court, Court of Appeals reviews a determination of inequitable conduct for abuse of discretion;

Court of Appeals may reverse a district court's decision on inequitable conduct only if the decision is based upon clearly erroneous findings of fact or on a misapplication or misinterpretation of applicable law, or evidences a clear error of judgment on the part of the district court.

5. Patents 324.55(2)

District court's factual determinations of materiality and intent, on issue of alleged inequitable conduct before the Patent and Trademark Office (PTO), are subject to the clearly erroneous standard and will not be disturbed unless Court of Appeals has a definite and firm conviction that a mistake has been committed.

6. Patents 97

Design patent applicant's failure to disclose to Patent and Trademark Office (PTO) two prior art patents was inequitable conduct that rendered patent unenforceable; prior art patents were material and not cumulative of other prior art presented to PTO, and evidence indicated that applicant had knowledge of such materiality and had intent to deceive PTO.

7. Patents 97

Information is "material," such that it must be disclosed to Patent and Trademark Office (PTO) by patent applicant, when there is a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent; however, an otherwise material reference need not be disclosed if it is merely cumulative of or less material than other references already disclosed.

See publication Words and Phrases for other judicial constructions and definitions.

8. Patents 97

Intent to deceive Patent and Trademark Office (PTO) need not, and rarely can, be proven by direct evidence, for purpose of inequitable conduct claim; rather, this element of inequitable conduct must generally be inferred from the facts and circumstances surrounding the applicants' overall conduct.

John D. Murnane, Baker & Botts, L.L.P., of New York, New York, argued for plaintiff-appellant. With him on the brief were Arthur S. Tenser, Robert Neumer and Neil P. Sirota. Also on the brief was Larry D. Carlson, Baker & Botts, L.L.P., of Dallas, Texas.

Samuel D. Rosen, Paul, Hastings, Janofsky & Walker, of New York, New York, argued for defendants-appellees. With him on the brief was Brendan J. O'Rourke. Also on the brief was Charles A. Gall, Jenkins & Gilchrist, of Dallas, Texas.

Before MICHEL, PLAGER, and RADER, Circuit Judges.

PLAGER, Circuit Judge.

The question in this design patent case is whether U.S. Patent No. Des. 344,144 (the '144 patents) is unenforceable due to inequitable conduct in its prosecution. The district court so

held.[1] Because the district court did not abuse its discretion in holding the '144 patent unenforceable, we affirm.

BACKGROUND

Elk Corporation of Dallas (Elk) brought a patent infringement action against defendants, GAF Building Corporation of America, Building Materials Corporation of America, Building Materials Corporation of America d/b/a GAF Materials Corporation, and GAF Materials Corporation (collectively, GAF), alleging that GAF infringed Elk's '144 patent. GAF counterclaimed by filing for a declaratory judgment that Elk's design patent is unenforceable due to inequitable conduct by the patent applicants and their patent attorney in the prosecution of the patent.

Elk and GAF are manufacturers of roofing shingles. In 1975, GAF obtained a patent, U.S. Patent No. 3,921,358 (the Bettoli patent), for two-ply, composite roofing shingles which are often referred to as "laminated shingles." GAF granted licenses under the Bettoli patent to many manufacturers, including Elk, to manufacture and sell two-ply, composite roofing shingles. In the late 1980s four inventors, some of whom were Elk employees, began developing a two-ply, composite rooking shingle based on the Bettoli patent that utilized striations of shading to simulate the appearance of slate shingles.

In anticipation of applying for a design patent on the new shingle, Casimir Weaver, one of the inventors, arranged for a

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[1] *Elk Corp. v. GAF Bldg. Materials Corp.*, No. 3:94-CV-0249-P (N.D. Tex. Apr. 17, 1998).

patentability search on the newly developed roofing shingle. In his letter requesting the search, Mr. Weaver acknowledged the similarity of the new design to the shingles disclosed in the Bettoli patent:

> The enclosed sketch describes this [new] product's appearance. This shingle's construction is similar to the one described in Bettoli's patent No. 3,921,358 which is also enclosed.

A search was made and Mr. Weaver was sent a search report. One of the patents discussed in the search report was U.S. Patent No. 2,036,329 (the Giles patent). After reviewing the search report, Mr. Weaver wrote a memo to a co-inventor pointing out that the Giles patents was "[o]f special interest." The search report and Mr. Weaver's memo were forwarded to a patent attorney at Baker & Botts, L.L.P.[2]

During the prosecution of the '144 patent, a number of prior art patents covering different shingles or parts of shingles, including U.S. Patent. No. Des. 309,027 (the Noone patent), U.S. Patent No. 3,613,328 (the Morgan patent), and U.S. Patent. No. 2,253,652 (the Ritter patent), were disclosed to the Patent and Trademark Office (PTO). Neither the Noone patent, the Morgan patent, nor the Ritter patent made mention of either the Bettoli patent or the Giles patent. The Bettoli and Giles patents, themselves, were never disclosed to the PTO despite the fact that it was the standard practice of the patent attorney who completed the prosecution of the '144 patent to disclose all of the prior art cited in a search report. In contrast, during the

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[2] Elk's '144 patent was initially prosecuted by Roy Van Winkle. When Mr. Van Winkle retired, Thomas Felger assumed responsibility.

prosecution of a continuation of the '144 patent, both the Bettoli and Giles patents were disclosed to the PTO.

In its counterclaim, GAF alleged that the applicants had committed fraud on the PTO by various means, including by intentionally withholding the Bettoli and Giles patents and by proffering arguments to the examiner during the prosecution of the '144 patent that could not have been made had the Bettoli and Giles patents been disclosed. In addition, GAF alleged that the applicants had intentionally withheld their knowledge of a commercialized Bettoli-type shingle known as the GS High Sierra. The district court found, *inter alia*, that the Bettoli and Giles patents and information about the GS High Sierra were material, that the applicants had knowledge of the materiality of the patents and information, and that they withheld the patents and information from the PTO with an intent to deceive. *See Elk Corp. v. Building Materials Corp.*, No. 3:94-CV-0249-P, slip op. at 10, 14, 27-28, 1997 WL 796004 (N.D. Tex. Oct. 10, 1997). In addition, the district court found that in order to overcome an initial rejection the applicants had made arguments concerning the prior art cited by the examiner that could not have been made had they disclosed the far more material Bettoli and Giles patents. *See id.* at 20. In light of all the circumstances, the district curt concluded that the applicants' conduct was so culpable that Elk's '144 patent should not be enforced. *See id.* at 28. Elk appeals the district court's final judgment against it.

DISCUSSION

[1] Applicants for patents, including their patent attorneys, are required to prosecute patent applications in the PTO with candor, good faith and honesty. *See Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178, 33 USPQ2d 1823, 1826 (Fed. Cir.

1995); *see also* 37 C.F.R. § 1.56. A breach of this duty may constitute inequitable conduct. Although the district court considered multiple allegations that the applicants had breached their duty of candor, we focus on the most pertinent allegations - those that involve the withholding of the Bettoli and Giles patents.

[2, 3] In equitable conduct due to failure to disclose material information must be proven by clear and convincing evidence of: (1) prior art that was material; (2) knowledge chargeable to an applicant of that prior art and of its materiality; and (3) failure of the applicant to disclose the art resulting from an intent to mislead the PTO. *See Molins*, 48 F.3d at 1178, 33 USPQ2d at 1827; *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415, 5 USPQ2d 1112, 1115 (Fed. Cir. 1987). Such proof of inequitable conduct may be rebutted by a showing that: (a) the prior art was not material; (b) if the prior art was material, a showing that the applicant did not know of that art; (c) if the applicant did know of that art, a showing that the applicant did not know of its materiality; or (d) a showing that the applicant's failure to disclose the art did not result from an intent to mislead the PTO. *See id.*

[4, 5] Because inequitable conduct is an equitable issue committed to the discretion of the district curt, we review a determination of inequitable conduct for abuse of discretion. *See Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876, 9 USPQ2d 1384, 1392 (Fed. Cir. 1988) (en banc). We may reverse a district court's decision on inequitable conduct only if the decision is based upon "clearly erroneous findings of fact or on a misapplication or misinterpretation of applicable law, or evidences a clear error of judgment on the part of the district court." *Id.*; *Molins*, 48 F.3d at 1178, 33 USPQ2d at 1827. The district court's factual

determinations of materiality and intent are subject to the clearly erroneous standard and will not be distributed unless this court has a "definite and firm conviction that a mistake has been committed." *Id.*

[6] On the question of whether the prior art Bettoli and Giles patents were material, Elk argues that the district court erred in finding the Bettoli and Giles patents material because they were merely cumulative of certain patents that were disclosed to the PTO during the prosecution of the '144 patent. According to Elk, the Bettoli patent was merely cumulative of the Morgan and Noone patents, and the Giles patent was merely cumulative of the Ritter and Noone patents.

[7] Information is "material" when there is a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent. *See Molins*, 48 F.3d at 1179, 33 USPQ2d at 1827. However, an otherwise material reference need not be disclosed if it is merely cumulative of or less material than other references already disclosed. *See Halliburton Co. v. Schlumberger Technology Corp.*, 925 F.2d 1435, 1440, 17 USPQ2d 1834, 1839 (Fed. Cir. 1991); *Baxter Int'l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1328, 47 USPQ2d 1225, 1229 (Fed. Cir. 1998).

Differences between the Bettoli patent and the Morgan and Noone patents support the district court's finding that the Bettoli patent was material. For instance, the Morgan patent, which predates the Bettoli patent, disclosed a different type of shingle, a single-ply, strip shingle, than the two-ply, composite shingle disclosed in the Bettoli patent. In addition, the Noone patent, a design patent covering the ornamental design for only the tab portion of a single-ply strip shingle, could not be

cumulative of the Bettoli patent which describes an entire two-ply composite shingle. Because the Morgan and Noone patents disclose a different shingle, the Bettoli patent is not cumulative of those patents. In addition, the Bettoli patents is not less material than the Morgan or Noone patents because the design claimed in the '144 patents is for a two-ply, composite shingle, not a single-ply, strip shingle. Thus, the district court did not clearly err in finding that the Bettoli patent was the most material prior art and that the Bettoli patent was not cumulative of the Morgan and Noone patents which were cited to the PTO.

Similarly, differences between the Giles patent and the Ritter and Noone patents support the district court's finding that the Giles patent was material. The Giles patent discloses shingles with blended horizontal shadings across each simulated shingle, whereas the Ritter patent discloses a discrete, continuous dark line across the tops of shingles. The Noone patent is also different from the Giles patent because it teaches discrete vertical zones of shading. Thus, because neither the Noone patent nor the Ritter patent discloses the same shading as the Giles patent, the Giles patent cannot be cumulative of those patents. In addition, the Giles patent is not less material than the Ritter or Noone patents because the design claimed in the ''144 patent for laminated shingles with three horizontal striations that appear to blend into each other across a simulated shingle is more similar to the blended shading of shingles in the Giles patent than the shadings in the Ritter or Noone patents. Thus, the district court did not clearly err in finding that the Giles patent was material and was not cumulative of the Ritter and Noone patents which were cited to the PTO.

Besides the prior art disclosed to the PTO, the district court also considered other circumstances relating to the materiality of the Bettoli and Giles patents and the applicants' knowledge

of those patents. With respect to the Bettoli patent, there was evidence that the applicants' new shingle design was an improved Bettoli-type laminated roofing shingle; that Mr. Weaver's letter, requesting a search report, revealed that the applicants knew that the new shingle was very similar to the shingle disclosed in the Bettoli patent; and that the testimony of the prosecuting attorney indicated that there was a strong likelihood the prosecuting attorney also knew of the materiality of the Bettoli patent. These factors further support the district court's findings of the high level of materiality of the Bettoli patent and the applicants' knowledge of that materiality.

With regard to the Giles patent, additional support for the district court's findings of materiality and knowledge are found in the search report and in Mr. Weaver's memo to a co-inventor. The search report, which was reviewed by both Mr. Weaver and the prosecuting attorney, listed and discussed the Giles patent. In addition, Mr. Weaver's memo contained his admission that the Giles patent was important. Based upon the foregoing, the district court's findings of materiality and knowledge of materiality of the Bettoli and Giles patents were not clearly erroneous.

[8] With regard to the intent of the applicants to deceive the PTO, our precedent has recognized that intent need not, and rarely can, be proven by direct evidence. *See Merck & Co. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1422, 10 USPQ2d 1682, 1686 (Fed. Cir. 1989). Rather, this element of inequitable conduct must generally be inferred from the facts and circumstances surrounding the applicants' overall conduct. *See Paragon Podiatry Laboratory, Inc. v KLM Laboratories, Inc.*, 984 F.2d 1182, 1190, 25 USPQ2d 1561, 1567 (Fed. Cir. 1993); *Merck*, 873 F.2d at 1422, 10 USPQ2d at 1686. Moreover, we have recognized that the more material the

omission, the less the degree of intent that must be shown to reach a conclusion of inequitable conduct. *See Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256, 43 USPQ2d 1666, 1668 (Fed. Cir. 1997); *Akzo N.V. v. United States Int'l Trade Comm'n*, 808 F.2d 1471, 1481-82, 1 USPQ2d 1241, 1247 (Fed. Cir. 1986). In light of all the circumstances of the case, as described above, we cannot say that the district court's finding of intent to mislead was clearly erroneous.

Finally, given the factual findings on which the district court's judgment stands, we cannot conclude that the district court abused its discretion in determining that the behavior of the applicants and their prosecuting attorney constituted inequitable conduct. Accordingly, the district court's judgment that Elk's '144 patent is unenforceable due to inequitable conduct is

AFFIRMED.

APPENDIX B

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ELK CORPORATION
OF DALLAS

versus

CIVIL ACTION NO.
3:94-CV-0249-P

GAF BUILDING MATERIALS
CORPORATION AND
BUILDING MATERIALS
CORPORATION OF AMERICA

ORDER RE: DEFENDANTS' EQUITABLE DEFENSES

This is one of two patent infringement suits filed by Elk Corporation of Dallas ("Elk") against GAF Building Materials Corporation ("GAF"). At issue in the two suits are two patents issued to Elk, U.S. Patent No. 344,144 ("Design Patent" or "144 Patent") and U.S. Patent No. 5,369,929 ("Utility Patent" or "929 Patent"). The Court determined the meaning and scope of the two patents in its Order re: Construction of Patent Claims dated September 29, 1997 pursuant to *Markman, et al. v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995), *aff'd* __ U.S. ___, 116 S. Ct. 40 (1996).

Both patents pertain to a type of roofing shingle known as laminated roofing shingles.[1] Elk alleges that GAF infringed on its patents, and GAF asserts invalidity and unenforceability of the patents on numerous grounds. Before the Court at this time are the equitable defenses related to the Design Patent which have been raised by GAF in response to Plaintiff claims of patent infringement. The issues are before the Court as GAF's alleged defenses are equitable in nature. *Kingsdown Medical Consultants Ltd. v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988).

GAF's equitable defenses consist of allegations of many instances in which GAF claims that Elk acted inequitably in prosecuting the Design Patent. This Order will address each of the species of fraud alleged by GAF related to the Design Patent. GAF's equitable defenses related to the Utility Patent are not before the Court at this time.

I. Allegations of Inequitable Conduct/Fraud on the Patent Office

GAF asserts that Elk, its inventors and patent counsel committed fraud on the Patent & Trademark Office ("PTO") in the following ways:

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[1] Laminated shingles are shingles made up of two asphalt coated sheets. The top sheet, or layer, consists of a headlap portion (which is covered by the next higher row of shingles when installed on a roof) and a buttlap portion. The headlap is a solid asphalt sheet, and the buttlap is cut into a number of tabs or dragon teeth. The bottom sheet is referred to as the backer sheet or backer strip. It is attached to the underside of the top sheet by an adhesive and underlies the buttlap portion of the upper sheet so that portions of the backer sheet are visible through the tabs or dragon teeth in the top sheet.

A. By withholding, with intent to deceive the Deign patent examiner, several material items of prior art ("**Prior Art Fraud**");

B. By presenting to the Design Patent examiner, in order to overcome an initial rejection of its patent application, arguments concerning the prior art cited by the examiner that could not have been made had Elk disclosed far more relevant prior art that Elk knew about but did not disclose ("**Deceptive Argument Fraud**");

C. By disclosing to the Patent Office, in a manner specifically designed to ensure that the examiner would not consider it, certain prior art of which Elk had actual knowledge before the Design Patent formally issued ("**Deceptive Disclosure Fraud**");

D. By falsely claiming that Messrs. Kiik, Weaver and Schultz were the real and sole co-inventors of the Design Patent, when Elk knew that Mr. Stapleton of the 3M Company was the true sole inventor, or at least a co-inventor ("**Inventor Fraud**");

E. By filing with the Patent Office, on February 22, 1993, a sworn statement to add Mr. Stapleton as an inventor and falsely claiming in such statement that his contribution had just been discovered and his original omission inadvertent ("**Belated Discovery Fraud**");

F. By claiming with the Patent application filed on September 18, 1991 to have invented the whole shingle shown in the Design Patent, when the invention was only the addition of the

color striations to the backer sheet of a pre-existing Bettoli-type[2] laminated shingle ("**Ownership Fraud**");

G. By falsely claiming to the Patent Office that the claimed invention of the Design Patent application was ornamental, when Elk knew that the claimed invention was functional and knew that an invention which is functional is not entitled to a design Patent under 35 U.S.C. Section 171 ("**Functionality Fraud**"); and

H. By not disclosing to the Design Patent examiner that the shingle design claimed in the Design Patent had been shown to members of the public more than one year prior to Elk's filing of its Design Patent application dated September 18, 1991, a circumstance constituting a prima facie case of statutory bar to issuance of Elk's Patent under Section 102(b) of the Act ("**Section 102 Fraud**").

II. Burden of Proof

GAF has the burden of proof to show Elk's alleged acts of inequitable conduct during the Patent prosecution process by clear and convincing evidence. *Kingsdown Medical Consultants Ltd. v. Hollister Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989). Inequitable conduct consist of misrepresentation of material information, failure to disclose material information, or filing false material information, coupled with an intent to deceive. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995). A party alleging failure to disclose prior art must establish by clear and convincing evidence the "materiality of the prior art, knowledge

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[2] "Bettoli" refers to U.S. Patent No. 3,921,358.

chargeable to the applicant of that prior art and of its materiality, and the applicant's failure to disclose the prior art, coupled with an intent to mislead the PTO." *Id.*; *La Bounty Mfg. v. U.S. Int'l Trade Comm'n*, 958 F.2d 1066, 1076 (Fed. Cir. 1992). Because the recipient of a patent obtains a constitutionally protected monopoly and a statutory presumption of validity via the *ex parte* application process, all participants in a patent prosecution are charged with a very high duty of candor to make full disclosure of any material information throughout the entire patent application process. *Fox Indus., Inc. v. Structural Preservation Sys. Inc.*, 922 F.2d 801 (Fed. Cir. 1990). Inequitable conduct by any participant in the process, whether applicant, inventor or attorney, renders a patent unenforceable, even if the other participants were innocent. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995) (knowledge and actions of applicant's attorney are chargeable to applicant for purposes of determining inequitable conduct).

Elk's compliance with its duty to disclose all material information must be judged by the standards of the current version of 37 C.F.R. Section 1.56.[3] Section 1.56(a) imposes a duty of candor and good faith on parties dealing wit the Patent Office. Section 1.56(a) also requires parties in PTO proceedings to disclose "all information known to that individual to be material to patentability." Section 1.56(b) provides that information is material to patentability when it is not cumulative to information already of record or being made

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[3] The current version of Rule 1.56 is applicable to all patent applicants pending or filed after March 16, 1992. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179 n. 8. (Fed. Cir. 1995) (quoting 57 Fed. Reg. 2021). Because the Design Patient application was pending until February 8, 1994, when the Design Patent issued, this current version of Rule 1.56 is applicable to this case.

of record in the application, and (1) it establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or (2) it refutes, or is inconsistent with, a position the applicant takes in: (I) opposing an argument of unpatentability relied upon by the patent office, or (ii) asserting an argument of patentability. 37 C.F.R. Section 1.56(b).[4]

The duty of candor requires disclosure of any information which would make out a prima facie case against the application, irrespective of whether the applicant could ultimately overcome it. Id. The duty of candor imposed on participants in the patent application process extends throughout the patent's entire prosecution. *Fox Industries v. Structural Preservation*, 922 F.2d 802, 803-804 (Fed. Cir. 1990).

If the court finds that materiality and intent have been shown, the court must then weigh the evidence of materiality and of Elk's intent to deceive in light of all of the evidence, including evidence of good faith, to determine whether under all of the circumstances of the case a finding of inequitable conduct is warranted. The court must determine whether, in light of all of the circumstances, the conduct of the patent applicant is so culpable that the patent should not be enforced. *Molins*, 48 F.3d at 1178. *Id.* A sliding scale analysis is applied when assessing whether a party has established an applicant's intent to deceive. The more material the withheld prior art, the less proof of intent to deceive need be shown. *Gambro Lundia AB v. Baxter Health Care, Inc.*, 110 F.3d 1573, 1580 (Fed. Cir.

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[4] At the time Elk filed its Design Patent application in September 1991, Section 1.56 defined information as material when "there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as Patent." *Molins PLC v. Textron, Inc.*, 48 F.3d at 1179.

1997); *Akzo N.V. v. U.S. Int'l Trade Comm'n*, 808 F.2d 1471, 1481-82 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987).

III. Prior Art Fraud

A. Duty to Disclose Relevant Prior Art

A party who alleges the "failure to disclose" form of inequitable conduct must show, by clear and convincing evidence, that (1) the prior art or information at issue is material; (2) the applicant knew of the prior art or information and its materiality; and (3) the applicant's failure to disclose the prior art or information resulted in an intent to mislead the patent office. *Molins*, 48 F.3d at 1178; *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987). GAF alleges that Elk withheld material items of prior art with the requisite knowledge and intent to deceive the examiner. GAF refers to this fraud as the Prior Art Fraud. Prior art generally encompasses all relevant art which was available to the public before the filing of the patent application at issue. The relevant art "is defined by the nature of the problem confronting the would-be inventor." *Ryko Mfg. Co. v. Nu-Star, Inc.*, 950 F.2d 714, 716 (Fed. Cir. 1991).

An assertion of failure to disclose prior art can be rebutted by (1) showing that the prior art or information at issue was not material; (2) if the prior art or information was material, showing that the applicant was not aware of that prior art or information; or (3)if the applicant was aware of the prior art or information, showing that the applicant's failure to disclose the prior art or information did not result from an intent to mislead the patent office. *FMC Corp.*, 835 F.2d at 1415.

B. Manner of disclosing prior art

GAF maintains that any art disclosed as prior art must be expressly denominated as prior art so that the examiner not only does not overlook it, but also can consider the issue of patentability in light of the prior art disclosed. 37 C.F.R. Sections 1.97 and 1.98. GAF asserts that these sections require that disclosures of prior art by an applicant must be on an Information Disclosure Statement ("IDS"). Relying on Section 609 of the Manual of Patent Examining Procedure ("MPEP"), GAF further argues that the patent examiner must make a record of any prior art references that he considers in determining patentability, whether disclosed by the applicant or found by the examiner, on the face of the issued patent. GAF contends that an examiner has not, by definition, considered a piece of prior art if such prior art is not listed on the face of a patent.

If the prior art is not submitted within three months of the filing date of the application on an IDS, GAF submits that it can only be disclosed by listing it on a Supplemental Information Disclosure Statement ("SDS") under 37 C.F.R. Section 1.97(c) and (e) and by either 1) paying an additional fee, or 2) certifying that no individual having duty to make disclosure under 37 C.F.R. Section 1.56 had knowledge of the reference more than three months prior to the filing of the new information disclosure statement and certification. GAF notes that Section 609 of the MPEP provides that prior art listed on patent office form 1449 or an equivalent must be listed on the face of the patent.

Elk, on the other hand, concludes that prior art may be identified to the patent office in many ways, including an IDS. Elk contends that an applicant's duty of disclosure under Rule 1.56(a) does not mandate the use of an IDS under 37 C.F.R. Sections 1.97 and 1.98. Elk notes that Rule 1.97 uses the

optional language "should" and thus the use of an IDS is not required. Elk contends that prior art may also be disclosed in many ways, including the specification, the title, in an examiner's Office Action, in an applicant's response to an Office Action, in an applicant's response to an Office Action, in an affidavit, in an amendment, by third parties and by the submission of a letter to the patent office. In support of its position, Elk cites Section 609 of the MPEP which provides that compliance with the rules for an IDS is not required to have information considered which has been tendered by an applicant in response to an Office Action.

The court agrees that prior art which is properly submitted by means other than a Form 1449 is not printed on the face of a patent. The fact that prior art is not listed on the face of the Design Patent does not mean that the examiner failed to consider it. After consideration of the parties' arguments, the court concludes that prior art may be identified for the patent examiner in ways other than on an IDS.

C. Failure to disclose Bettoli patent

GAF asserts that Bettoli was material prior art that Elk withheld with the requisite intent to deceive. GAF claims that Bettoli, when combined with U.S. Patent No. 2,036,329 ("Giles"), establishes that the concept embodied in the Design Patent was in fact unpatentable because of obviousness.[5]

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[5] Elk directs much of its argument, both in its briefing and at the hearing, to establishing the non-obviousness of its claimed innovation. While the court agrees with Elk that its claimed invention is not obvious, the ultimate determination of the issue of obviousness is not before the court at this hearing. Moreover, that a claimed invention is ultimately found to be patentable over obviousness objections is not the standard when addressing the issue of materiality of undisclosed prior art. *Molins*,

Bettoli is a laminated shingle. Elk argues that neither Bettoli, nor any other laminated shingle prior art, was material because the Design Patent claims only the coloration on the backer sheet as the innovation, not the entire physical structure. Elk cites its Amendment to the Design Patent application filed in September 1993 in support of its argument. The Amendment states that the invention:

> produces an enhanced ornamental appearance by a unique arrangement of colored granules in three striations rather than modifying the physical structure of the shingles.

Elk contends that this statement shows that it did not consider the prior art of laminated shingles relevant to the patentability of the claimed design. While it is true that the innovative feature claimed in the Design Patent is the color striations, it is the color striations on the backer sheet of a laminated shingle which creates the appearance of depth that was claimed by Elk.[6] The evidence showed that color striations on a three tab or strip shingle, rather than creating an appearance of depth, create a zebra stripe appearance by emphasizing the longitudinal aspects of the shingles.[7] Therefore, the prior art of laminated shingles was material to Elk's claimed invention. In this case, since Elk claimed the novel feature of color striations on the backer sheet

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48 F.3d at 1178-1180. (that the claims may be patentable over the withheld prior art is not the test for materiality) (internal citations omitted).

[6] More precisely, Elk claimed the color striations on the backer sheet of a Bettoli laminated shingle, as there are different types of laminated shingles.

[7] Three tab shingles or strip shingles are asphalt shingles consisting of a single asphalt coated sheet.

of a Bettoli laminated shingle, Bettoli was material prior art. Additionally, the fact that the examiner initially rejected the Design application, in part, on the basis of Morgan (U.S. Patent No. 3,624,975), suggests that the examiner believed that laminated shingles were material prior art. Thus, the examiner's rejection of the application on the basis of Morgan, a laminated shingle, is of strong probative value in determining the materiality of Bettoli. *Molins PLC v. Textron, Inc.*, 48 F.3d at 1179.

Consideration by the patent examiner of Morgan during the prosection of the Design Patent did not fulfill Elk's duty to disclose Bettoli as prior art. The PTO initially rejected the Design Patent application as obvious under Morgan and Sadler. In response to this rejection, Elk filed an Amendment in September 1993 distinguishing Morgan from the claimed invention. Elk argued in its Amendment that Morgan achieved the illusion of depth in a laminated shingle through alteration of a physical structure of the shingle. Elk sought to distinguish Morgan by stating that Elk's claimed invention sought to create the illusion of depth through the use of color striations on the backer sheet rather than through modification of the physical structure. Thus, Bettoli is material prior art and is not cumulative prior art of Morgan.

In addition to arguing that it did not consider Bettoli to be material prior art, Elk also argues that it in fact disclosed Bettoli in several ways. First, Elk claims Bettoli was disclosed by virtue of the enclosure of a photograph in the September 1993 Amendment to the Design Patent application. Second, Elk claims that the reference to a "laminated shingle" in the title and preamble of the Design Patent disclosed the existence of Bettoli as prior art. Third, Elk claims that the reference to the 1982 Sweets catalogue in the Design Patent disclosed the laminated shingle prior art.

However, the court is not convinced that the patent examiner would know that the photograph submitted with the 1993 Amendment or the use of the word "laminated" in the title and text of the patent application disclosed a Bettoli laminated shingle as opposed to some other type of laminated shingle. The evidence revealed that there are numerous types of laminated shingles. While a patent examiner is charged with knowledge of the level of skill in the art, the examiner is not necessarily a person skilled in the art. It is apparent from the initial rejection of the '144 application, that the examiner had some familiarity with laminated shingles. However, it is not apparent that the examiner construed the photograph submitted with the 1993 amendment or the term "laminated shingle" to disclose a Bettoli laminated shingle. The evidence is in fact to the contrary. The examiner rejected the application on the basis of a Morgan laminated shingle, rather than Bettoli. Because the shingle submitted by Elk in its application is a Bettoli shingle, reason dictates that the examiner would have used Bettoli rather than Morgan in her obviousness analysis if she had known of Bettoli. The court finds that neither the photograph submitted by Elk with its 1993 amendment nor the use of the term "laminated shingle" in the title and text of the patent application disclosed Bettoli to the patent office.

Finally, the court does not agree with Elk that disclosure of the 1982 Sweets Catalogue showing the "Woodlands" laminated shingle made by Johns-Mansville disclosed the Bettoli laminated shingle as prior art. It is true that the catalogue was listed as prior art on the face of the Design Patent. However, it is not clear that the examiner would have been able to tell from the black and white photocopy of the brochure enclosed with the application that the pictures in the brochure showed laminated shingles, much less Bettoli shingles.

Given the high duty of candor which a patent applicant must meet, Elk's submission of the photograph, the use of the term "laminated shingle" and the enclosure of the brochure without specific reference to Bettoli did not fulfill Elk's duty to disclose Bettoli. Based on the foregoing, the Court finds that Bettoli is material prior art that Elk failed to disclose.

D. Failure to disclose Giles

GAF alleges that Giles, like Bettoli, was material prior art which Elk failed to disclose. GAF contends that a combination of Giles and Bettoli makes a prima facie case of obviousness for the Design Patent under 35 U.S.C. Section 103. Further, GAF alleges that Elk withheld Giles with the requisite intent to deceive.

Elk contends that it decided not to disclose Giles because it considered Giles to be not material or cumulative art of U.S. Patent No. 2.253.652 ("Ritter") and U.S. Patent No. 309,027 ("Noone") which were disclosed. Elk maintains that disclosure of Noone and Ritter fulfilled its duty of candor to disclose prior art coloration patents. Elk argues that Ritter is much closer than Giles to the claims of the Design Patent. GAF responds that Ritter shows only two bands of color while Giles and the Design Patent both teach three bands of color. Elk counters that Ritter in fact shows at least three bands of different color value, from dark to light, and that Giles shows only a gradual fade-out of color of two color zones.

Elk also argues that Giles need not have been disclosed because it is not commercially feasible. Elk argues that Giles, like Ritter, does not produce an illusion of depth as both are strip shingles. Instead, Elk notes that embodiments of both Giles and Ritter, because they are three-tab or strip shingles, look like zebra stripes when applied to a roof. Elk further argues that no shingle could be produced under Giles due to the

time required to allow the spray paint to dry. Elk notes that a prior art reference that uses a method different from the patentee's invention to accomplish the same result is less material than a reference that uses the same method. *Halliburton Co. v. Schlumberger Technology Corp.*, 925 F.2d 1435, 1442 (Fed. Cir. 1991). However, feasibility of producing a design embodied in a design patent is not a consideration in determining materiality and does not negate the relevance of this prior art. Additionally, the court notes that Giles also provides that granules can be substituted for paint to create the color effect.

GAF counters that Elk had the duty to disclose both Ritter and Giles and allow the patent examiner to decide the materiality of each. *Baxter Int'l Inc. V. Baxter Healthcare Corp.*, 1996 W.L. 145778 at *7 (N.D. III. 1996) (citing *La Bounty Mfg. v. U.S. Int'l Trade Comm'n*, 958 F.2d 1066, 1076 (Fed. Cir. 1992)). It is true that the duty to disclose material information does not mean that an applicant need only disclose the closest prior art. Instead 37 C.F.R. Section 1.56(a) provides that an applicant must disclose all material non-cumulative prior art without regard to whether the applicant considers a particular piece of prior art to be closer to the proposed patent at issue than another. In the case of a close call, the applicant must disclose both pieces of prior art in order for the examiner to decide the materiality of each. *Baxter Int'l Inc.*

Elk argues that Giles teaches away from the Design Patent because Giles is a three tab shingle and the visual effect created by striations on a three tab shingle is different from the effect created by Noone and '144 patent design. The court agrees that Giles, by itself, does not teach what the Design Patent claims. However, the test of materiality in Section 1.56(b) is whether information establishes, "by itself or in combination with other information, a prima facie case of unpatentability... ." Giles teaches horizontal zones, or striations, of colors on shingles to

create an appearance of depth. The examiner initially rejected the Design application, in part, on the basis of Sadler III because Sadler "shows horizontal strips spaced evenly, midway the face of the shingle to be old in the prior art." (PTO's notice of rejection dated June 13, 1993, p.3). This office action by the PTO placed Elk on notice that the PTO considered prior art showing horizontal coloration material to the claimed invention. Certainly, Giles is closer prior art with respect to horizontal coloration on shingles than is Sadler. Elk was award of Giles since the summer of 1991 because Giles was listed in the search report ordered by Elk in preparation for the filing of the '144 patent application. When Elk filed its Amendment in September 1993 in response to the PTO's initial rejection. Elk was under the continuing duty imposed by Rule 1.56(a) to disclose all material prior art. *Fox Industries v. Structural Preservation Systems*, 922 F.2d at 803. Yet in its Amendment, Elk sought only to distinguish Sadler III without fully citing all material prior art and failing to disclose more material prior art.

As noted, it cannot be disputed from the evidence that Elk had knowledge of Giles and of its materiality to the Design Patent application. Giles was listed in the prior art season report prepared for Elk by the Nies firm in June 1991. Subsequent to the search report, Paul Weaver, one of the listed inventors, referenced Giles in a letter to Mr. Kiik, another listed inventor, in which Weaver discussed the results of the search report. The Court does not accept Elk's position that Ritter and Giles are cumulative as the coloring designs of Ritter and Giles are not equivalent. Based on the evidence before the Court, the Court concludes that Giles is material, non-cumulative prior art. Elk should have disclosed Giles and allowed the examiner to decide its materiality.

D. Failure to disclose GS High Sierra

GAF also asserts that the GS High Sierra ("High Sierra") shingle was non-cumulative prior art that Elk failed to disclose. GAF contends that the High Sierra is a laminated shingle that uses color in a similar manner that the Design Patent uses color to create the illusion of depth. Elk argues that its disclosure of Noone satisfied its duty of candor because Noone is closer prior art than the High Sierra rendering the High Sierra cumulative.

The High Sierra is a laminated shingle that uses a shadow line of the same base color as the rest of the backer sheet. In contrast, the Noone Patent is a strip shingle that shows a black shadow line. GAG argues that the High Sierra is closer to the Design Patent than Noone because the High Sierra is a laminated shingle which bears a darker band of the same color and could be converted into the Design Patent shingle merely by adding a middle band of color to the backer sheet.

The court finds that the GS High Sierra is material prior art which should have been disclosed by Elk. The High Sierra is a laminated shingle, unlike the other prior art cited by Elk and uses a band of color at the top of the backer sheet to create the appearance of depth. The band of color used in the High Sierra is a darker shade of the color of the shingle like the concept in the Design Patent. However, the High Sierra does not have the color striations used in the Design Patent. Additionally, the court finds that the High Sierra is more a variation of the shadow lines used on other types of shingles to create the appearance of depth. Generally, shingles using a shadow line used a black line to create a shadow effect. However, the appearance of the shadow was described as appearing somewhat artificial. By using a darker shade of the color of the shingle instead of black, the artificial appearance of the shadow line is somewhat ameliorated. However, from a distance it is difficult to tell that the shadow line on the High Sierra is in fact

a darker shade of the color of the shingle rather than a black line, at least on the sample board introduced into evidence. Until evidence was presented that the High Sierra used a color other than black to create the shadow line, the appearance of the shingle on the sample board from a distance in the courtroom appeared to be a black line. Thus, the concept used in the High Sierra is a variation of the shadow line concept rather than the concept of color striations used in the Design Patent. It is apparent to the court that the two concepts are not viewed the same in the industry, as the shadow line is not as effective as the color striations in creating the appearance of depth without appearing artificial. Shadow line shingles are view as inferior art to the striations concept embodied in the Design Patent.[8]

GAF contends that Elk's decision to list only the Noone prior art in the Design Patent application reflects "defensive patenting". The Certain-Teed Corporation, the manufacturer of Noone, notified Elk by letter that it believed that the Elk Prestique Plus High Definition shingle, which embodies the Design Patent might infringe Noone. GAF argues that Elk did not want to fulfill its duty to disclose all material art in the Design Patent application prosecution. Instead GAF claims that ELK merely sought to ward off a patent infringement suit by Certain-Teed

However, any "defensive" motives that Elk may have harbored when it listed Noone and Noone's prior art references in the Design Patent application are not indicative of inequitable conduct. It does not concern the Court that Elk may have wanted to head off a lawsuit for infringement brought by Certain-Teed. The issue before the court is whether Elk

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[8] The Court also notes that Noone is strip shingle, albeit a simulated laminated shingle, which uses a shadow line. In a memo to Mike Kiik, Paul Weaver described Noone as having a "used by almost everybody" shadow line. (Def. ex. 89)

fulfilled its duty of candor to the PTO in prosecuting its patent application.

E. Intent to Deceive

The court has found that Elk failed to disclose material prior art of which it had knowledge. The next step in the inequitable conduct analysis is to determine whether the failure to disclose was done with the intent to deceive the patent office. The only reason given by Elk for failing to disclose the above discussed prior art is that it believed the prior art disclosed was the closest and most pertinent to the application, and did not disclose Bettoli, Giles and the GS High Sierra because it believed they were either not material or were cumulative to the cited art. From the evidence presented, the court cannot agree with Elk that the most material art was in fact disclosed. However, even assuming the prior art cited by Elk was the most material prior art does not end the inquiry under Rule 1.56(a). It is worth noting again that Rule 1.56(a) requires a party to disclose all material prior art not only the prior art considered by the applicant to be the most material. Elk made only a partial disclosure of material prior art and did not disclose the other material, if not the most material, prior art. Bettoli is the very shingle modified by Elk in the Design Patent application, and Giles is as material prior art, with respect to the coloration issue, as any of the art cited by Elk. GS High Sierra is a laminated shingle which uses a color striation to create the appearance of depth. Yet none of these were cited by Elk.

Thomas Felger, the attorney who filed the 1993 Amendment on behalf of Elk testified that he believed Noone was the most pertinent prior art because it teaches that placing a portion of a shingle with at least two different tones of colors adjacent to portions of the shingle of uniform color creates an appearance of depth. However, Noone is a three tab shingle, which

simulates a laminated shingle, that uses a shadow line, rather than color striations, to create the appearance of depth. The evidence showed that three tab shingles and laminated shingles are considered as entirely different products in the industry. The laminated single is considered a superior product to the three tab single. Apparently, there have [been] ongoing efforts in the roofing industry to enhance the appearance of asphalt shingles by enhancing the appearance of depth in otherwise flat shingles. However, because three tab shingles and laminated shingles are viewed differently, the efforts at enhancing the appearance of the two types of shingles has not been parallel nor coordinated. While there have been some efforts at using color striations on three tab shingles to enhance the appearance of depth, those efforts were not considered successful because striations on three tabs created an appearance of zebra stripes rather than in appearance of depth. The efforts at enhancing the appearance of laminated shingles was most often done by the use of shadow lines. However, shadow lines are not viewed as favorably by the industry, and apparently the public, as color striations in creating the appearance of depth. Shadow lines are considered by the industry as looking somewhat artificial and are considered inferior to the color striation concept of the Design Patent. Elk's own witnesses testified that they considered strip shingle art and shadow line art inferior to its claimed innovation. The court agrees that Elk indeed made a unique discovery with its claimed innovation which was superior to the strip shingle and shadow line prior art. However, that position by Elk is inconsistent with the argument it now makes that it considered Noone, a strip single using shadow lines to be the most material prior art.

Additionally, Elk's argument does not satisfactorily explain why the GS High Sierra was not disclosed. The High Sierra is a laminated shingle which has valleys of two color tones in between tabs of uniform color to create an appearance of depth.

This is the same thing Elk claims is taught by Noone. The High Sierra, however, is a Bettoli laminated shingle, like the shingle in Elk's claimed invention, which makes it closer prior art than Noone.

It is also noteworthy that the examiner initially rejected the Design Patent as obvious under Morgan and Sadler III rather than Noone or Ritter. Additionally, evidence was presented showing that the PTO rejected the '929 Utility Patent application twice, once on the basis of Morgan and Giles, and once on the basis of Bettoli and Giles. Noone and Ritter were cited by Elk in the '929 application. Certainly, the PTO considered Bettoli, Morgan, and Giles more material prior art than Noone or Ritter.[9] This indicates the materiality of Bettoli, laminated shingle prior art, and of Giles. Moreover, Bettoli is better art with respect to the '144 patent than is Morgan, and Giles is better art as to the use of horizontal color striations on shingles to create the appearance of depth than is Sadler III.

The Nies search report of June 1991 to Elk noted that no patent was found that disclosed the specific invention claimed in the '144 patent application. The Nies report discussed prior art, including Giles, considered relevant to Elk's application. The significance of Giles was not lost on Elk as Paul Weaver, one of the inventors, following receipt of the Nies report, noted in a memo to Mike Kiik that Giles was of "special interest." (Def. ex. 89) Elk argues that Weaver was merely reiterating in his memo what the Nies report stated. The court does not agree

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[9] Felger's testimony shows the importance of the rule that all material information be cited rather than what applicants believe is most important. Despite the fact that the PTO clearly considered Bettoli, Morgan, and Giles more material prior art than Noone or Ritter, Felger still maintained at trial that Noone is the most material prior art with respect to Elk's patents and maintained that Giles and Bettoli were not material or were cumulative.

with that assessment of Weaver's memo. The Nies report listed eight patents, including Noone, Ritter and Giles, as being of interest in the field of the invention. Of the eight patents issues, the Nies report specifically discussed Giles, Ritter, Noone, Morgan et al. and Bradley. In contrast, Weaver's memory to Kiik specifically mentions only Giles and describes it as being of "special interest." Clearly Elk knew of the materiality of Giles.

Further, both Elk attorneys testified that they ordinarily cite as prior art all references reported in search reports. That was not done in the '144 application as Giles and other cites in the Nies report were not disclosed to the PTO. In light of the evidence, Elk's argument that it considered Giles, Bettoli, and High Sierra not material or cumulative of Noone and Ritter is neither credible nor able to withstand objective scrutiny. Because the reasons given by Elk for not disclosing material prior art are not credible nor objectively reasonable, the court cannot but draw the inference that failure to disclose was done with the intent to deceive or certainly with such recklessness that an inferences of intent to deceive is warranted. *Halliburton*, 925 F.2d at 1442-1443. Thus the court finds that Elk withheld material prior art by failing to disclose Bettoli, Giles, and the High Sierra both when it filed its application on September 18, 1991, and when it filed its Amendment on September 13, 1993. The court further finds that Elk withheld the prior art with knowledge of the materiality of the undisclosed prior art and with intent to deceive the PTO.

Whether Elk engaged in inequitable conduct is a close question for this court. Elk could have believed that laminated shingle art was before the PTO because Elk used the term "laminated shingle" in the title of its patent application and in the September 1993 Amendment. Also, Elk disclosed prior art that referenced use of color on shingles by disclosing Ritter and Noone. However, Elk failed to disclose the most material

laminated shingle prior art by not disclosing Bettoli, and failed to disclose Giles and the High Sierra which are more material with respect to the use of color than are Noone and Ritter. It appears to the court, that Elk decided to disclose as little as, in its view, it could get by with and still obtain its patent. However, disclosing as little as an applicant believes it can get by with is not the duty imposed on parties to PTO proceedings. Elk's conduct in this case falls short of meeting Elk's obligation of candor to the PTO. The court thus finds, upon weighing Elk's conduct in light of all of the evidence in the case, that Elk engaged in inequitable conduct in prosecuting its Design Patent and that its patent should not be enforced.

IV. Deceptive Argument Fraud

A patent application may not advance an argument to the patent office that could not have been made had the applicant disclosed some other, undisclosed prior art. 37 C.F.R. Section 1.56(b) (1995). This type of inequitable conduct means that an applicant for a patent committed two bad acts: 1) withholding prior art; and 2) making an argument that the applicant could not have made had he disclosed the prior art.

GAF claims that Elk made arguments about the differences in its claimed invention and the less pertinent prior art references cited by the examiner so as to overcome the examiner's initial Section 103 obviousness rejection--arguments that could not have been made without Elk's willful concealment of Giles. Bettoli and the High Sierra as prior art. For the reason's discussed above, the court agrees with GAF and finds that Elk engaged in equitable conduct when it filed its September 1993 Amendment. The arguments made by Elk to distinguish Morgan and Sadler III could not have been made had Elk disclosed Bettoli, Giles and the High Sierra.

V. Deceptive Disclosure Fraud

Although a patent examiner may consider prior art disclosed after a notice of Allowance has been issued, the examiner may do so only if the applicant complies with the procedures set forth in 37 C.F.R. Section 1.97(d) and (e) (1992); MPEP Section 609 (Rev. 14, Nov. 1992). If an applicant learns of prior art after a Notice of Allowance but before both the issue fee has been paid and the patent has formally issued, the applicant can fulfill his duty of candor in the following manner:

1. The applicant may disclose the prior art on a patent office IDS form accompanied by (a) a certification under 37 C.F.R. Section 1.97(e), (b) a petition requesting consideration of the IDS, and (c) the petition fee set forth in 37 C.F.R. Section 1.17. The result is that the patent examiner will consider the newly discovered prior art, and may then withdraw the Notice of Allowance if the examiner believes that it is appropriate to do so. 37 C.F.R. Section 1.97(d) (1992); MPEP Section 609 (Rev. 14, Nov. 1992).

2. If the applicant is unable or unwilling to comply with the requirements of 37 C.F.R. Section 1.97(d), the applicant may file a continuation application so that the information might be considered by the examiner, while abandoning the "allowed", but not yet issued, patent by not paying the issue fee. MPEP Section 609 (Rev. 14, Nov. 1992).

Once a patentee has paid the issue fee, any IDS filed by the patentee will not be considered by the patent examiner but will merely be placed in the patent application file. 37 C.F.R. Section 1.97(e); MPEP Section 609 (Rev. 14, Nov. 1992). After payment of the fee, the only way to have the examiner consider new prior art is for the patentee to withdraw the application from issue pursuant to 37 C.F.R. Section 1.313(b)(5) so that the information could be considered in a continuation application. *Id.*

GAF claims that Elk was put on actual notice of coloration prior art, Fire-Chex, which GAF claims was far more relevant and closer to the color striations Elk claimed than any prior art considered by the examiner. GAF introduced into evidence a memorandum prepared by Elk's attorneys which indicates that Elk knew that the patent examiner would not consider the supplemental information of Fire-Chex. To find that Elk conducted itself with inequitable conduct with respect to the manner in which Elk disclosed Fire-Chex, the court must still find that the information was material and Elk withheld it with the requisite intent to deceive.

Fire-Chex is a three tab shingle with horizontal color striations but with the darkest striation on bottom and the lighter striations top. This is the opposite of Elk's claimed invention. The court finds that the Fire-Chex prior art, if material, was at best cumulative prior art which is not cumulative to information not already of record. Thus, the Deceptive Disclosure Fraud allegation has no merit.

VI. Inventor Fraud and Belated Discovery Fraud

GAF maintains that Elk deliberately claimed that Messrs. Kiik, Weaver and Schultz were the only true inventors of the Design Patent in the initial application even though Elk knew that Mr. Pat Stapleton of the 3M Company was the sole true inventor or at least a co-inventor. GAF refers to this as the Inventor Fraud. GAF also claims that Elk committed Belated Discovery Fraud by filing the Amendment which added Stapleton as an inventor or at least a co-inventor. GAF refers to this as the Inventor Fraud. GAF also claims that Elk committed Belated Discovery Fraud by filing the Amendment which added Stapleton as an inventor or at least a co-inventor and claiming that his contribution had only recently been discovered and his original omission was inadvertent. Any

alleged, deliberate error in the identify of the inventor(s) of a patent is certainly important as the inventors are the owners of the rights to exclude others from making or selling an innovation.

An error in determining inventorship is not by itself inequitable conduct. Whenever an inventor is omitted in a patent application, the application may be amended to correct this error where the error arose without any deceptive intent. 35 U.S.C. Section 116. Such error must be "inadvertent" on the part of the originally named inventors. 37 C.F.R. Section 1.48. The ultimate question of the identify of the true inventors and thus whether a statutory ground for invalidity exists is a jury question. *ShatterproofGlass Corp. v. Libby-Owens Ford Co.*, 758 F.2d 613, 623-24 (Fed. Cir. 1985). However, the issue before the Court at this time on GAF's equitable defenses is whether Elk purposefully misrepresented or failed to disclose facts which would be important to a patent examiner or which would make a prima facie case of non-patentability based on incorrect claims of inventorship.

Certain facts are undisputed. Kiik and Mr. Robert Morrow of 3M spoke on the telephone regarding Stapleton's contribution to the innovation in the invention embodied in the Design Patent on December 5, 1991. On February 1, 1993, the 3 M Company executed a release of any rights that it may have had in the Design Patent in favor of Elk, and Elk, in turn, indemnified 3M for any claims arising from the Design Patent. Elk filed an SDS on February 2, 1993, setting forth the circumstances under which it alleged that Stapleton was omitted as an inventor.

GAF claims that Elk, in fact, engaged in a quid quo pro with 3M for 3M to release all rights to the Design Patent in exchange for Elk's giving Stapleton credit for his participation as a co-inventor. GAF also alleges that Elk made several inaccurate statements in the documents submitted to the PTO regarding the

manner in which Elk learned of 3M's co-inventorship and the manner in which the Elk and 3M agreed to address the situation. Elk consistently denied that a quid pro quo exchange was made for 3M's rights to the Design Patent and Elk's indemnification of 3M.

The Court does conclude that there was a quid quo pro exchange when 3M gave up its rights in exchange for Stapleton being listed as a co-inventor and for Elk's indemnification. However, Elk's obtaining 3M's release of the rights to the Design Patent in return for Elk's indemnifying 3M does not precipitate a finding of intent to deceive the PTO or of inequitable conduct. The exchange between 3M and Elk appears to have been an honest effort to resolve issues of inventorship disagreement between the companies. Additionally, the evidence supports Elk's argument that all four individuals ultimately listed as inventors had some role in bringing about the ultimate design which was submitted to the PTO.

In the instant case, Elk's conduct does not reflect an intent to deceive the Patent Office. Stapleton's participation occurred in 1988, about three years prior to the filing of the Design Patent application. That Stapleton never met Kiik or Weaver and that Schultz never met Kiik or Weaver is not dispositive of the issue. The evidence shows that each of the alleged inventors contributed to the innovation in the Design patent although they never met. It is certainly plausible that Kiik, Weaver, Stapleton and Schultz each contributed to the innovation in the Design Patent, the distinct color striations on the backer sheet to create depth, given that the experimental prototype with a gradual color blend was not produced until three years later. The Court concludes that Elk did no deliberately misstate the facts regarding Stapleton's inventorship with the requisite intent to deceive. Based on the

foregoing, the Court concludes that the Inventorship Fraud and the Belated Discover Fraud alleged by GAF are without merit.

VII. Ownership Fraud

GAF also alleges that Elk committed fraud by claiming in the Design Patent application to have invented the entire laminated shingle shown in the Design Patent when it at most invented only the color striations on the backer sheet of a Bettoli laminated shingle. As the court has previously determined that the Design patent claimed only the novel features of a laminated shingle, not the entire shingle, GAF's allegation of ownership fraud is without merit.

VIII. Functionality Fraud

GAF complains that Elk falsely claimed to the Patent Office that the Design Patent was ornamental when Elk and its inventors knew that the claimed invention was functional and thus not entitled to a design patent under 35 U.S.C. Section 171.

However, it is apparent from the '144 patent application and the amendment filed in September 1993, that Elk was claiming the three color striations on the backer sheet were ornamental. The patent office issued the Design Patent and the patent carries a presumption of validity. 35 U.S.C. § 282. As claimed in the Design Patent, the color striations appear to be ornamental. GAF has not produced clear and convincing evidence of the falsity of Elk's claim, nor has GAF produced clear and convincing evidence that Elk made the claim with intent to deceive the patent office. The court finds that Elk did not engage in inequitable conduct by claiming in the Design Patent application that the claimed invention was ornamental.

IX. Section 102 Fraud

GAF contends that the shingle design claimed in the Design Patent was displayed to the public over a year before the Design Patent application was filed. GAF asserts that a shingle made in the same design as the Design Patent was produced in 3M's color lab in 1988. GAF contends that this public disclosure established a prima facie case of unpatentability under Section 102(b) of Title 35 and should have been disclosed to the PTO. GAF alleges that Elk's failure to disclose to the PTO this public display constitutes inequitable conduct. Section 102(b) provides:

> A person shall be entitled to a patent unless (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country more than one year prior to the date of the application for patent in the United States[.]

The failure to disclose prior use or sale of a product may constitute inequitable conduct if the party alleging such inequitable conduct can show that the failure to disclose was done with intent to mislead or deceive the PTO. *Paragon Podiatry Laboratory, Inc. v. KLM Laboratories, Inc.*, 984 F.2d 1182, 1192-93 (Fed. Cir. 1993). Whether an invention was on sale or in use within the meaning of Section 102(b) is a question of law. *Id.* at 1186. A party seeking a patent has a duty to disclose all uses and sales of its invention more than one year before it filed its application, if such information would be deemed "material." *Id.* At 552. As discussed previously, Rule 1.56(b) defines materiality as information which establishes a prima facie case of unpatentability.

On the evidence presented, the court finds that a prima facie case of unpatentability is not made out by Elk's production of a shingle with color striations at the 3M lab in 1988. The work done at the 3M lab in 1988 was a part of continuing efforts in the industry to produce shingles with an enhanced appearance of depth and was clearly not a "public use". The shingle produced in 1988 had striations of gradual gradations in color from top to bottom instead of the distinct striations of the Design Patent. The 1988 product did not accomplish what Elk was seeking, and it was not until 1991 that Elk came up with the design incorporated in the Design Patent "The use of an invention by the inventor himself, or of any other person under his direction by way of experiment, and in order to bring the invention to perfection, has never been regarded as [a public] use." *Lough v. Brunswick Corp.*, 86 F.3d 1113, 1120 (Fed. Cir. 1996) (internal citations omitted). The 1988 work at the 3M lab was not material to the patent application and thus did not need to be disclosed. Accordingly, the Court finds no inequitable conduct from Elk's failure to disclose the shingles prepared in 1988 at the 3M lab.

X. Estoppel

GAF asserts equitable defenses, grounded in the doctrine of judicial estoppel, of patent estoppel and trade dress estoppel. GAF maintains that Elk should be estopped from denying that the design claimed in its '144 Patent is functional because Elk later obtained a utility patent on the same invention. GAF argues that if Elk is estopped from denying that the design claimed in the '144 patent is functional, then the '144 Patent is invalid since a design patent cannot issue on an invention that is functional. *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1123 (Fed. Cir. 1993).

Additionally, citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 112 S.Ct. 2753 (1992), GAF contends that if the claimed design of the '144 Patent is functional, Elk is estopped from asserting a trade dress infringement claim because functionality is a complete defense to a claim of trade dress infringement.

With respect to both estoppel arguments, the court notes that the patent examiner in the Utility Patent proceeding had before him several references to the Design Patent. On the facts of this case, GAF's estoppel arguments are without merit. Elk is not estopped from denying the functional features of its claimed invention simply because it obtained a design patent and a utility patent on what GAF contends is the same invention. It remains to be determined whether Elk's claimed invention is in fact functional, ornamental, or both.

Conclusion

The court finds that Elk engaged in inequitable conduct by failing to disclose material prior art by failing to disclose Bettoli, Giles, and the GS High Sierra when Elk knew of this prior art, had knowledge or should have had knowledge of the materiality of the undisclosed prior art, and withheld the prior art with intent to deceive the Patent and Trademark Office. Accordingly, Elk's Design Patent No. 344,144 is unenforceable.

SO ORDERED this 10 day of October 1997.

JORGE A. SOLIS
UNITED STATES DISTRICT JUDGE

APPENDIX C

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ELK CORPORATION
OF DALLAS

versus

CIVIL ACTION NO.
3:94-CV-0249-P

GAF BUILDING MATERIALS
CORPORATION and
BUILDING MATERIALS
CORPORATION OF AMERICA

PARTIAL FINAL JUDGMENT

Pursuant to this Court's Memorandum Opinion and Order filed on October 10, 1997 and this Court's Order of April 17, 1998,

It is ORDERED ADJUDGED and DECREED that:

1Defendants GAF Building Materials Corporation and Building Materials Corporation of America's counterclaim for declaratory judgment that Elk's U.S. Patent Des. No. 344,144 is unenforceable due to inequitable conduct in the prosecution of the patent is granted, and Elk's U.S. Patent Des. No. 344,144 is declared unenforceable;

2Elk's claims in its Second Amended Complaint that GAF infringed U.S. Patent Des. No. 344,144 are dismissed; and

3there being no just reason to delay entry of judgment, judgment is hereby entered pursuant to Rule 54(b).

IT IS SO ORDERED.

Signed on this 17th day of April, 1998 at Dallas, Texas.

JORGE A. SOLIS
UNITED STATES DISTRICT JUDGE
NORTHERN DISTRICT OF TEXAS

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

Elk Corporation of Dallas, Plaintiff,	§	
v.	§	CIVIL ACTION NO.
	§	3:94-CV-0249-P
GAF Building Materials Corporation, Defendant.	§	3:94-CV-2607-P
	§	
	§	
	§	
Elk Corporation of Dallas, Plaintiff,	§	
v.	§	CIVIL ACTION NO.
	§	3:94-CV-0249-P
GAF Building Materials Corporation, and Building Materials Corporation of America, Defendants.	§	3:94-CV-2607-P
	§	
	§	
	§	
	§	

ORDER RE: CONSTRUCTION OF PATENT CLAIMS

These cases are patent infringement suits filed by Elk Corporation of Dallas ("Elk") against GAF Building Materials Corporation ("GAF"). At issue in these suits are two patents issued to Elk, U.S. Patent No. 344,144 ("Design Patent" or "144 Patent") and U.S. Patent No. 5,369,929 ("Utility Patent" or "929 Patent"). Both patents pertain to a type of roofing

shingle known as laminated roofing shingles.[1] Elk claims that GAF infringed on its patents, and GAF asserts invalidity and unenforceability of the patents on numerous grounds.

I. Background

It is well established that a determination of patent infringement involves a two step analysis. The first step is to construe the patent claim to determine its scope and meaning. Second, the claim as properly construed must be compared to the accused device or process. *Carroll Touch, Inc. v. Electro Mechanical Systems, Inc.*, 15 F.3d 1573, 1576 (Fed. Cir. 1993).

The Supreme Court, in *Markman, et al. v. Westview Instruments, Inc.*, ___ U.S. ___, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996), held that construction of the scope and meaning of a patent is a question of law for the court to decide. In order to make a determination as to the scope and meaning of the patents in issue, the court may hear arguments and take in evidence as deemed necessary. In accordance with *Markman*, the court held a hearing on December 9 and 10, 1996 in order to hear evidence with respect to construction of the claims in the patents at issue.

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[1] Laminated shingles are shingles made up of two asphalt coated sheets. The top sheet, or layer, consists of a headlap portion (which is covered by the next higher row of shingles when installed on a roof) and a burlap portion. The headlap is a solid asphalt sheet, and the buttlap is cut into a number of tabs or dragon teeth. The bottom sheet is referred to as the backer sheet or backer strip. It is attached to the underside of the top sheet by an adhesive and underlies the buttlap portion of the upper sheet so that portions of the backer sheet are visible through the tabs or dragon teeth in the top sheet.

As a preliminary matter, the parties take somewhat different approaches as to the type of evidence that is admissible and properly considered by the court in construing the patents. In construing patents, courts can consider both intrinsic and extrinsic evidence. *Vitronics Corp. v. Conceptronics, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996). Intrinsic evidence is evidence contained in the records of the Patent & Trademark Office ("PTO") and consists of the claims in the patent, the specifications and the prosection history. *Id.; Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995). Extrinsic evidence is evidence which is external to the patent file history. *Markman*, 52 F.3d at 980.

The claims in a patent must conform and agree with the invention as set forth in the remainder of the specifications. 37 C.F.R. Section 1.75(d)(1). Further, the terms and phrases used in the claims must be supported in the description of the specifications so that the meaning of the terms in the claims may be ascertainable by references to the description. *Id.* Any technical term used in a patent document is interpreted as having the meaning that it would be given by persons experienced in the field of the invention, unless it is apparent from the patent and the prosecution history that the inventor used the term with a different meaning. *Vitronics*, 90 F.3d at 1582.

Claims may also be read in view of the specification, of which they are a part. *Markman*, 52 F.3d at 979. The specifications serve as a dictionary because they expressly define terms used in the claims and also may define terms by implication. *Vitronics*, 90 F.3d at 1582. The specifications must contain a written description of the invention which must be clear and complete enough to enable those of ordinary skill in the art to make and use the invention described. *Id.* Thus,

the specifications are "always highly relevant" to determining the meaning of disputed claims, are usually dispositive, and are the "single best guide to the meaning of a disputed term." *Id.*

The public administrative record leading to issuance of a patent is referred to as the prosecution history, file history or the file wrapper. This public record is "of primary significance in understanding the claims." *Markman*, 52 F.3d at 980.

Taken together, these three sources of intrinsic evidence, that is the claims, specifications and file history, are "the most significant source of the legally operative meaning of disputes claim language." *Vitronics*, 90 F.3d at 1582.

Extrinsic evidence, which is external to the patent and file history, may include expert testimony, inventor testimony, dictionaries, and technical treatises and articles. *Vitronics*, 90 F.3d at 1584. Although technical treatises and dictionaries fall within the category of extrinsic evidence, as they are not a part of an integrated patent document, courts are free to consult such resources at any time in order to better understand the underlying technology and may also rely on dictionary definitions when construing claim terms, so long as the dictionary definition does not contradict any definition found in or ascertained by a reading of the patent documents. *Id.* at 1584, n. 6.

Prior art and, to a lesser extent, dictionaries are more objective and reliable guides in interpreting the meaning of a patent then expert testimony and also are accessible to the public in advance of litigation. In particular, opinion testimony on claim interpretation should be approached with caution as it is no better than opinion testimony on the meaning of a statute. *Id.* at 1584.

Another source of extrinsic guidance is prior art[2] offered into evidence, which is an excellent guide to how a disputed term is used by those skilled in the art. In comparison to prior art, expert testimony may reflect only the opinion of a particular party's expert as to what a term means. *Id.* at 1584.

Elk advocates that the court should examine both intrinsic and extrinsic evidence in construing the Patents' claims. Elk suggests that the court should first look to the intrinsic evidence, but that the court may also consider extrinsic evidence in order to understand the patented technology.

GAF argues that the court should first examine the claims to determine scope and meaning and also examine the specifications for the limited purpose of determining if the patentee has assigned meanings to words used in the claims other than their plain or ordinary meanings. If, from this review, the court determines that the claims are unambiguous, then the court need not consider any other evidence. If there is an ambiguity in the claims themselves, then the court should first look to the specifications to resolve it. If an ambiguity still remains, then the court may look to the file history if offered into evidence by the patentee. With respect to extrinsic evidence, GAF asserts that while reliance on such evidence may be proper to help explain the meaning of ambiguous terms in the claims, such evidence is unnecessary in this case due to the nature of the technology involved.

The court finds that it may properly look to all of the intrinsic evidence in determining the scope and meaning of the

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[2] Note that prior art which is cited within the Patents is intrinsic evidence. Id. at 1583.

claims in the patents. *Markman* as well as prior and subsequent case law make clear that the specifications and file history are very important in construing a patent's claims. *Markman*, 52 F.3d at 980 (file history is of "primary significance" in understanding the claims).[3] In Vitronics Corp. v. Conceptronic, Inc., 90 F.3d 1576, 1582 (Fed. Cir. 1996), the Federal Circuit stated:

> It is well-settled that, in interpreting an asserted claim, the court should look first to the intrinsic evidence of record, *i.e.*, the patent itself, including the claims, the specifications and, if in evidence, the prosecution history. Such intrinsic evidence is the most significant source of the legally operative meaning of disputed claim language.

Accordingly, the court will examine all of the intrinsic evidence, the claims, specification and file history, in order to construe the Patents' claims. However, the court cannot use the specifications or the file history to contradict, change, expand, diminish or vary the claims. *Markman*, 52 F.2d at 980. The court will rely on the extrinsic evidence presented to assist in determining the meaning of technical terms in the claims as well as to aid the court to better understand the technology involved.

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[3] The significance of the file history is illustrated by the fact that one cannot rely on an attorney opinion of non-infringement as a good faith defense to a charge of willful patent infringement if the attorney did not consult the file history of the patent for which infringement is charge prior to giving his opinion. *Data scope Corp. v. SMEC, Inc.*, 879 F2d 820, 828 (Fed. Circ. 1989)

II. Construction of Claims

A. Utility Patent or '929 Patent

The Utility Patent is composed of four claims. Claim 1 is an independent claim, and claims 2, 3 and 4 are dependent claims. The dependent claims incorporate every element defined in the independent claim. Accordingly, the Court must construe the dependent claims in a manner that does not alter and is not different from the express limitations in claim 1. 37 C.F.R. Section 1.75. In construing disputed terms in the claims, the court examines the claims from the perspective of "what one of ordinary skill in the art at the time of the invention would have understood the term to mean." *Markman*, 52 F.3d at 986.

The court finds, and the partie do not dispute, the Claim 2 provides that the are of the first, second and third color striations on the backer sheet is one-third each. Further, the court finds that Claim 3 provides that the tabs may vary in color from tab to tab.

The parties, however, dispute the scope of the Utility Patent. That is, they dispute whether the Utility Patent covers only the novel feature of a laminated shingle or the entire shingle. Furthermore, the parties dispute several features of the Utility Patent such as color variation and the characteristics of the dragon teeth or tabs. A discussion of these disputed features is set forth below.

1. Novel Feature of Laminated Shingle Claimed

GAF maintains that the '929 Patent covers the entire shingle rather than what Elk now claims as the novel feature of its patent claim, that is the color striations on the backer sheet. Elk

argues that laminated shingles are so well known to people in the roofing industry that a person skilled in the art would understand that the Utility Patent covers only the novel feature of a laminate shingle, not the entire shingle. The court agrees that a person of ordinary skill in the art of designing roofing shingles would understand that the patent claims only the novel feature, as described in the patent, as opposed to claiming the entire shingle.

Laminated shingles were well known and widely used in the industry by 1991. Since laminated shingles came into existence, the industry has sought to enhance the appearance of these shingles through efforts at creating an appearance or illusion of depth. The language of the claims themselves, as well as the language of the specifications, make clear that Elk is claiming, as the novel feature, color striations on the backer sheet for the purpose of creating an appearance or illusion of depth.

It would have been apparent to one skilled in the art that the drawings in the patent depict laminated shingles. The term "laminated shingles" is used in the title of the patent and throughout the specifications and claims. Additionally, the use of terms such as "headlap", "buttlap", "backer strip", "first sheet" and "second sheet" and "tab" and "dragon teeth" in the specifications and claims are clear references to laminated shingles to one skilled in the art. Further, the patent specifies in several places the importance of the striations on the backer sheet for the purpose of creating the appearance of depth. Thus, an examination of the drawings, the claims and specifications would have made it apparent to one skilled in the art that Elk was not attempting to claim the entire shingle in its patent application.

It is also apparent that the PTO examiner was aware of laminated shingles and was aware that the novel feature claimed by Elk was the addition of color striations to the backer sheet of a laminated shingle. In the reasons for allowance, the examiner noted that there were no "prior art laminated shingles" with color striations on the backer sheet. The examiner further noted that prior art with respect to three tab shingles disclosed color striations, but the prior art "disclosed no motivation to combine" the features of a three tab shingle with a laminated shingle to achieve the results obtained by Elk in its invention.[4] Based on the foregoing, the Court finds that the Utility Patent claims the novel feature of a laminated shingle, not the entire laminated shingle. Specifically, the Court finds that the Utility Patent claims as its novel feature the addition of color striations on the backer sheet of a laminated shingle.

2. Tabs or Dragon Teeth

GAF maintains that claim 1 claims that the tabs or dragon teeth are all the same color or color tonality. Presumably, since claim 3 specifically claims that the tabs have "different color contrasts from one another", GAF's position is that claim 3 should be disregarded since it conflicts with claim 1 to which it is dependent. The court, however, finds no conflict between claims 1 and 3. Claim 1 states that the color of the tabs is "relatively uniform throughout each tab". Col. 6, l. 39-40. However, claim 1 is silent as to the color contrasts between the tabs. The specifications, however, provide that "[i]f desired,

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[4] Three tab shingles or strip shingles are asphalt shingles consisting of a single asphalt coated sheet.

the relatively uniform color portions [of the tabs] may vary in contrast with respect to each other...". Col. 2, l. 20-22.

Reading claim 1 and claim 3 together in light of the specifications, the court finds that the tabs bear one uniform color within each tab. Col. 2, l. 29-30, col. 5, l. 16-22 of '929 Patent. However, the tabs do not all have to be the same color tone. Col. 2, l. 20-22; Col. 8, l.7-9.

3. Meaning of Striations

GAF argues that the term "striations" as used in the claims refers to the portions of the backer sheet visible between the tabs while Elk maintains that the term refers to the bands of color that run horizontally across the entire length of the backer sheet. Some of the language of claim 1 and of the specifications support GAF's position, while other language supports Elk's position. For example, lines 50, 55 and 63 of column 6; line 13 of column 7; and lines 1 and 4 of column 8 use the plural, "striations", in a manner suggesting that the term refers to the area of the color bands visible between the tabs, in the valleys.[5] However, lines 4 through 9 of column 4 and line 1 of column 7 of the Utility Patent use the term in a manner which suggests that "striations" refers to the continuous strips along the length of the backer sheet. Thus, there is an ambiguity regarding the meaning of the term "striations" in claim 1.

In support of its position, Elk introduced deposition testimony of Alfredo Bondoc, a GAF employee, as a person

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[5] Valleys are the portions of the backer sheet visible between the tabs of the overlying buttlap portion of the top sheet.

skilled in the art of roofing shingles. Bondoc testified that he would interpret the claim and the specification to mean that the striations run the length of the backer sheet, due to the manner in which asphalt shingles are made in color drops and the fact that asphalt shingles are uniformly covered in mineral granules.[6] Further support for Elk's position is evidenced by Figures 6 and 7 of the Utility Patent in which ribbon-like continuous horizontal strips are shown on the backer sheet. Finally, the specifications provide that the tabs may have "a square, rectangular, trapezoidal, or any other desired geometric configuration" (Col. 3, l.36-38). However, if the tabs are not square or rectangles, then the visible area between the tabs will not be rectangular in area. The fact, then, that claim 1 refers to striations that are "rectangular in area" supports Elk's position that "striations" must refer to the bands of color that run lengthwise along the backer sheet rather than to the visible areas between the tabs.

Based on the patent as a whole and the testimony presented, the court finds that a person of ordinary skill in the art would understand that the reference to "striations" in the Utility Patent refers to the colored bands or strips underneath the tabs that run horizontally along the entire length of the backer sheet, not merely the across the portions of the strips which are visible between the tabs.

4. Shape of Tabs and Resulting Valleys

Elk argues that the shape of the tabs and the resulting valleys may vary depending on the shape, size and spacing of each tab. GAF maintains that, pursuant to claim 1, the tabs must be

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[6] Dep. Alredo Bondoc, pp. 170-172, 201-203 and 548-550.

uniform in shape and size. GAF contends that the repeated reference to rectangles in claim 1 means that the dimensions of the tabs and dimensions of the valleys must be the same.

The language of claim 4 supports Elk's position that the size, shape and spacing of the tabs may vary. Claim 4 reads:

> ... dimensions of one of said tabs and the openings formed thereby differ from the dimensions of others of said tabs and the openings formed thereby.

The specifications are consistent with claim 4 and support Elk's position. Col. 3, l. 34-38, col. 6, l. 8-10 of '929 Patent.

The drawings illustrating the Utility Patent show trapezoidal teeth that are uniform in shape but not in size. The Court concluded above that the reference to "rectangular area" in claim 1 means the rectangular shape of the horizontal color bands along the length of the backer strip, not the visible valleys between the tabs. Accordingly, the Court agrees with Elk's contention that the tabs themselves are not required to be rectangular and do not have to be the same size.

Therefore, while the shape of the tabs may be of various geometric configurations, all of the tabs must be uniform in shape. Finally, the bottom edge of the tabs must line up with the bottom of the backer sheet.

5. Number of Striations

In the notice of rejection mailed by the Patent Office on May 10, 1994, the patent examiner states that the exact number of striations is not critical to the invention but as a matter of

personal preference. (Office Action mailed May 10, 1994, p.6). The Court agrees as the appearance of depth sought to be created by the claimed invention does not appear to depend on whether there are three or more striations. Additionally, the specifications provide that the number of striations may be varied to provide the desired appearance. Col. 2, l. 33-34, col. 4, l. 10-16 of '929 Patent. The Court thus finds that the Utility Patent may include three or more striations of color.[7]

6. Color or Tonal Value of Striations

GAF contends that the striations on the backer sheet represent three different colors. Further GAF maintains that even if the striations are of the same color family, no relative tonal values for the striations are claimed. Elk advances the position that the striations are composed of relative tonal values of the same color, running from dark, midway between dark and light, and light.

Claim 1 states that the three color striations on the backer sheet form a "color gradation". One definition of "graduation" is a gradual passing from one tint or shade to another, as in a painting. *Webster's Ninth New Collegiate Dictionary* 530 (1983). The Court is free to consult and rely on this dictionary definition. *Vitronics*, 90 F.3d at 1584, n. 6. The Court finds that the specifications teach that the color of the striations on

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[7] The court acknowledges that claim 1 of the '929 Patent describes three striations on the backer sheet. However, the specifications make clear, and the examiner agreed, that the exact number of striations is not critical to the claimed invention. What is critical is the presence of horizontal striations of color tonality going from dark to light on the backer sheet placed between tabs of relatively uniform color. Thus, the specifications do not enlarge or change the concept described in claim 1.

the backer sheet consists of ranges of the same color due to repeated use of language such as"color gradient or gradation from light to dark" (emphasis added). Other language in the specifications suggests that the striations on the backer sheet are ranges of the same color. For example, the specifications state, "Contrast for purposes of this patent application is defined as the degree of difference in the tone or shading between the areas of lightest and darkest color." Col. 4, 1. 18-21 of '929 Patent.

The prosecution history is consistent with the specifications. It provides, "...the present shingles often use the same basic color of adjacent tabs and underlying shingles, with differing light and darkness of the color providing the appearance of shingle depth." Amendment dated July 8, 1994, page 6 of '929 Patent. Thus, the Court finds that the references to color in claim 1 means relative tonal values of the same color, not different colors.

The Court also finds that the patent claims that the striation closest to the headlap is the darkest tone, the middle striation is lighter and the striation along the bottom edge of the backer sheet is the lightest. However, the Court concludes that the patent does not claim any particular relative tonal values for the color striations other than dark at the upper edge, light on the leading or bottom edge, with the middle striation being a tonal value in between the light and dark tones. Col. 4, 1. 6-9. The patent further claims that the contrast in tones may be varied to create the desired appearance or illusion of depth. Col. 4, 1. 28-32.

B. Design Patent or '144 Patent

1. Novel Feature of Laminated Shingle Claimed

Because the '144 Patent is a design patent, the invention is primarily shown by drawings. The claim of the Design Patent states that it claims the "ornamental design for a laminated shingle, as shown and described." As with the Utility Patent, GAF maintains that the Design Patent covers an entire laminated shingle having a specific shape, dimension and configuration, not just the novel feature of a laminated shingle now claimed by Elk. GAF points out that Elk should have indicated the environmental structure or other portion of the Design Patent drawings which was not claimed as a novel feature of its invention. The Manual of Patent Examination Procedure ("MPEP"), provides that any unclaimed portion or environmental structure of an invention may be drawn with broken or phantom lines provided that the use of such broken or phantom lines is explained.

Elk contends that the words of the Design Patent make clear that it covers only the novel features of a laminated shingle, not the whole shingle. For example, the amendment to the Design Patent dated September 13, 1993 states, "Applicants' design invention produces an enhanced ornamental appearance by a unique arrangement of color granules in three striations rather than modifying the physical structure of the shingles." Further, Bondoc testified that he probably would have understood that the Design Patent drawings showed a Bettoli-type laminated shingle if he had seen the Design Patent drawings prior to seeing the shingle.[8] The court agrees that a person skilled in the

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[8] Dep. Alfredo Bondoc, pp. 232, 233, 237 and 238.

art of roofing shingles would understand that the patent claims only the novel feature as opposed to claiming the entire shingle.

As noted in the discussion of the '929 patent, laminated shingles were well known and widely used in the industry by 1991. Since the existence of laminated shingles, the industry has sought to enhance their appearance through efforts at creating the appearance or illusion of depth. In this amendment to the application filed in September 1993, Elk identified the novel feature of its design as the addition of "three striations rather than modifying the physical structure of the shingles." The amendment further provided that the "design uses increased contrast between three striations to produce the illusion of depth in a flat shingle." It is also apparent that the PTO examiner was aware of the claimed novel feature of the application even before the filing of the amendment. The examiner initially rejected the '144 application as obvious under Morgan, a laminated shingle, and Sadler, a shingle described by the examiner as teaching "horizontal strips spaced evenly, midway the face of the shingle..." In the rejection, the examiner noted that the overall appearance of the shingle claimed in the '144 application was "substantially shown by the shingle of Morgan..." The examiner noted it would have been obvious to one of ordinary skill in the art to modify the laminated shingle disclosed by Morgan by adding the horizontal strips taught by Sadler to obtain the claimed design. It is thus apparent that the examiner understood the application was not claiming the entire shingle and understood the claimed novel feature of the application. The court concludes that a person skilled in the art of roofing shingles would understand the '144 patent application to encompass only the novel feature of a laminated shingle rather than claiming the entire shingle.

2. Meaning of Stippling

GAF argues that the strippling, shown in the drawings of the '144 application, connotes texture, not different colors, or ranges of the same color, nor a gradual fading of the same color. Elk contends that the stippling shows a range of the same color progressing from light to dark.

GAF relies on the Guide for the Preparation of Patent Drawings ("GPPD"), Guide for Patent Draftsmen ("GPD"), Symbols for Draftsmen ("SD") and the MPEP to support its position. The GPPD indicates that color should be shown by means of shading using a specific drafting symbol pattern for each color. The limited number of references to 'stippled" and "stippling" in the GPD suggest that stippling may be used as shading to show irregular or abrasive surfaces. The SD shows that stippling is conventionally used to show loose sand or adhesive. The SD provides that the collection of symbols is not exhaustive and other symbols may be used as long as they are clearly identified in the specifications and do not create confusion. GAP presented the testimony of an expert in the field of Patent Office procedure, Mr. Foley, who testified that a patentee was not, to his knowledge, permitted to use stippling or other symbols for any purpose other than the purpose set forth in the written guidelines unless such purpose was disclosed. GAF charges that Elk failed to indicate that it sought to use stippling to show color in any way in the patent itself.

Mr. Dillon, the draftsman of the Patents, admitted that to the best of his knowledge he had never previously used stippling in any other drawing to show a color gradient. Mr. Dillon even used different cross hatching patterns to show color rather than stippling in two figures of the Utility Patent.

Elk urges that stippling is used by people of ordinary skill in the art of designing roofing shingles to show color value or tonality. Elk presented testimony regarding U.S. Patent No. 309,027 ("Noone") which shows darker and lighter coloration of the granules via stippling.[9] The prosecution history clearly supports Elk's position that the stippling denotes color value. The amendment filed by Elk states that the ". . .invention produces an enhanced ornamental appearance by a unique arrangement of colored granules in three striations rather than modifying the physical structure of the shingles." Amendment dated September 13, 1993, page 3 of '144 Patent. Later, the amendment states "An important feature of Applicant's invention is providing contrasting striations of the same color." Amendment dated September 13, 1993, page 4 of '144 Patent.

The SD provides that a patentee is free to use whatever symbols it chooses in the claims of a design patent, as long as the meaning for such symbols is clearly defined where it deviates from conventional usage. 37 C.F.R. Section 1.84: GPD at p. 16. The Design Patent prosecution history makes repeated references which clearly put the world on notice that Elk intended for the stippling to show color, not texture. Even though Mr. Dillon has not used stippling to show color in other patent drawings, certainly other patent draftsmen have don so. *See, e.g.*, U.S. Patent No. 2,036,329 ("Giles"). Finally, prior art references cited in the Design Patent discuss the utilization of color, not texture, to create depth.

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[9] Dep. Alfredo Bondoc, pp. 144-147.

3. Headlap

GAF maintains that the headlap portion of the shingle is plain, flat and has a smooth surface with no granules and no texture or color. Elk claims that the headlap portion of the shingle forms no part of the claimed ornamental design because, like any other laminated shingle, the headlap portion is entirely functional and arbitrary in appearance and hidden from view. Further, Mr. Bondoc testified that all laminated shingles are uniformly covered in granules in order to cover the asphalt coating.[10] It is apparently Elk's position that a person skilled in the art would understand that the headlap is covered in granules in order to cover the asphalt coating. GAF argues that if the headlap was not intended to be part of the novel feature of the invention, the claims should have been drawn to reflect this fact.

In the initial rejection of the application, the patent examiner noted that the headlap portion of the shingle was not shaded. The examiner stated that flat surface shading was required to show the character of the surface and required Elk to amend its application in order to better reflect the character of the headlap's surface. Elk amended its application to comply with the examiner's request. Considering all of the evidence, including the uncontradicted testimony of Mr. Bondoc that asphalt shingles are uniformly covered in granules, the Court finds that the headlap is uniformly covered in granules to cover the asphalt coating.

Additionally, the court agrees with Elk that the headlap forms no part of the claimed ornamental design. Thus, the

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[10] Dep. Alfredo Bondoc, pp. 53, 55-56 and 59.

court does not agree with GAF's argument that the '144 design patent claims six severely elongated rectangles along the bottom of the headlap.

4. Shape and color of tabs

The Court finds that the tabs on the buttlap portion are elongated trapezoids having the same shape and angles. However, the tabs do not all have to be the same size. The drawings in the application depict tabs which are all trapezoid shaped but which are not the same size. Further, each tab is of uniform color, but the tabs may vary in contrast of color from each other.

5. Appearance of backer strip

GAF asserts that an ordinary person or even a person skilled in the art would not be able to discern the appearance of the backer sheet from the Design Patent drawings. Elk's witness and employee, Mr. Kiik, who is skilled in the art of laminated roofing shingles, testified that a person familiar with laminated shingles would know that the granules on the backer strip were continuous. The court agrees. The Design Patent covers a laminated shingle. The term "laminated shingle" is well known in the industry and was known to the PTO examiner who examined the application. Bondoc, GAF's employee who is also skilled in the art of laminated roofing shingles, stated in his deposition testimony that asphalt shingles are uniformly covered in mineral granules.[11] GAF did not contradict this evidence nor provide evidence that laminated shingles are made in some other manner. The court finds that the textured

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[11] Dep. Alfredo Bondoc, pp. 53, 55, 56, and 59.

granules continue in strips along the backer sheet. In other words, granules are located underneath the tabs in addition being located in the valleys where the granules are visible.

SO ORDERED this 29th day of September 1997.

JORGE A. SOLIS
UNITED STATES DISTRICT JUDGE

APPENDIX E

ELK CORPORATION OF DALLAS, Plaintiff-Appellant,

v.

GAF BUILDING MATERIALS CORPORATION, Building Materials Corporation of America d/b/a GAF Materials Corporation, and GAF Materials Corporation, Defendants-Appellees

98-1369

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

1999 U.S. App. LEXIS 8547

April 16, 1999, Decided

April 16, 1999, Filed

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANT, and a response hereto having been invited by the court and filed by the APPELLEES, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing by, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on April 26, 1999.

Dated: April 16, 1999

APPENDIX F

37 C.F.R. Ch. 1 (7-1-98 Edition)

§ 1.56 Duty to disclose information material to patentability.

(a) A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section. The duty to disclose information exists with respect to each pending claim until the claim is canceled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a claim that is cancelled or withdrawn from consideration need not be submitted if the information is not material to the patentability of any claim remaining under consideration in the application. There is no duty to submit information which is not material to the patentability of any existing claim. The duty to disclose all information known to be material to patentability is deemed to be satisfied if all information known to be material to patentability of any claim issued in a patent was cited by the Office or submitted to the Office in the manner prescribed by §§ 1.97(b)-(d) and 1.98. However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct. The Office encourages applicants to carefully examine:

(1) Prior art cited in search reports of a foreign patent office in a counterpart application, and

(2) The closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentability defines, to make sure that any material information contained therein is disclosed to the Office.

(b) Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and

(1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or

(2) It refutes, or is inconsistent with, a position the applicant takes in:

(i) Opposing an argument of unpatentability relied upon by the Office, or

(ii) Asserting an argument of patentability.

A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

(c) Individuals associated with the filing or prosecution of a patent application within the meaning of this section are:

(1) Each inventor named in the application;

(2) Each attorney or agent who prepares or prosecutes the application; and

(3) Every other person who is substantially involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application.

(d) Individuals other than the attorney, agent or inventor may comply with this section by disclosing information to the attorney, agent, or inventor.

§ 1.153 Title, description and claim, oath or declaration.

(a) The title of the design must designate the particular article. No description, other than a reference to the drawing, is ordinarily required. The claim shall be in formal terms to the ornamental design for the article (specifying name) as shown, or as shown and described. More than one claim is neither required nor permitted.

(b) The oath or declaration required of the applicant must comply with § 1.63.

APPENDIX G

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ELK CORPORATION
OF DALLAS

versus

CIVIL ACTION
NO. 98-1369

GAF BUILDING MATERIALS
CORPORATION AND
BUILDING MATERIALS
CORPORATION OF AMERICA

TRANSCRIPT OF ORAL ARGUMENT

January 5, 1999

Judge Michel: 98-1369 Elk Corporation v. GAF Building Material Counsel we would like to proceed just as soon as you can be ready.

Mr. Murnane: Good morning Your Honors, may it please the Court. The district court's decision was not in accord with the decisions of this Court and should be reversed. The *Kimberly Clark* and

Halliburton decisions of this Court require that the key issues of materiality and intent should be decided with reference to the claimed invention. The district court did not look at the claimed invention as a whole, rather the court first looked at the structure for the shingle and then at the coloration thereon, concluded that inequitable conduct had occurred because Bettoli was most pertinent with respect to structure and Giles was as most pertinent or as pertinent as any other reference with respect to coloration.

Judge Rader: Mr. Murnane? I was particularly taken that these cases so often turn on intent which we have said is a very high requirement. I was taken by the District Judge's statement, the reasons given by Elk for not disclosing material

prior art are not credible nor objectively reasonable. What are those reasons?

Mr. Murnane: Your Honor the reasons are that Elk believed, that Mr. VanWinkle believed, that he disclosed the most material prior art, the most pertinent prior art when he disclosed the Noone reference. This invention is a rather ingenious way of imparting the allusion of depth to a shingle by putting adjacent to a uniform portion of a shingle, a region that has a uniform color, a portion of a shingle a region with different coloration. The only prior art reference to do that was the reference that Mr. VanWinkle put in which was the Noone patent. This patent which was the first patent issued to anybody with coloration where you have more than one region of coloration adjacent to a region of

uniform coloration was believed by Mr. VanWinkle --

Judge Rader: Do you think Bettoli, Giles and High Sierra were material?

Mr. Murnane: No Your Honor I do not.

Judge Rader: Why did they show up in the search report?

Mr. Murnane: They showed up in the search -- well firstly, Bettoli did not show up in the search report, GS High Sierra did not show up in the search report. Giles did show up in the search report, Your Honor.

Judge Rader: Why was something that was in the search report not disclosed, particularly when counsel, both Felger and VanWinkle I think admitted that they characteristically disclosed everything that's in the search report? Why did they not disclose Giles?

Mr. Murnane: Mr. Felger testified that he usually does. Mr. VanWinkle testified he frequently does not. Mr. VanWinkle was of the view Your Honor that the best search was done by the Examiner when the Examiners searched the Noone case. No IDS had been presented to the Examiners in Noone. Mr. VanWinkle testified he thought Noone was the best prior art and that all the art disclosed therein was the best prior art. Now interestingly, Your Honor Mr. Felger did disclose Giles in the '929, in the utility application. Counsel say on page 13 of their brief that Giles and Bettoli were only disclosed after GAF raised the inequitable conduct defense, that is not so. They were disclosed at the very beginning of the '929 case, Bettoli was cited by Mr. Felger in the specification, it was

also cited in the IDS, it was filed the first day, that application was filed before this patent even issued. And he cited Giles in the second IDS in March of '94. Interestingly, the Utility Examiner in the first official action did not cite either Giles or Bettoli against a laminated shingle claim. He didn't cite Bettoli against any claim in the first official action the '929 case, Bettoli [sic, Giles] was cited against a broad claim which also included strip shingles.

Judge Michel: Why are you defending based on the utility application?

Mr. Murnane: Your Honor -- the question was --

Judge Michel: The materiality issue has to do with the design application.

Mr. Murnane: The question raised by Judge Rader was what would be the basis for saying they were not material Your Honor --

Judge Michel: That's why I'm trying to get back to that, because it seems to me the core of that question at the heart of this case and I frankly haven't heard much of an answer to it yet.

Mr. Murnane: Okay. The question Your Honor is what would a person and here we have knowledge of materiality as well as materiality okay, and the claims in the utility case are a little broader than the design case. But there is a similarity in those claims. The design Examiner -- excuse me -- the utility Examiner had the same view of that art as Mr. VanWinkle did. The utility Examiner didn't cite it against these claims even though these claims are quite similar, a little

broader. Mr. VanWinkle had a view, he said he was taught to cite the best prior art and that's what he did. He felt that he did that.

Judge Michel: Well maybe he did cite the best prior art. Let's assume that we conclude that he did. How does that meet the duty?

Mr. Murnane: Well Your Honor in the *Halliburton* case you recall no prior art was cited by the applicants there.

Judge Michel: No but the requirement is that all the material art be cited and it's not a defense to say well there were 20 pieces of material art but one was more material than the others, we cited that one and we left out the other 19. That doesn't meet the duty of candor to the PTO.

Mr. Murnane: That's not Elk's defense Your Honor. Elk's defense --

Judge Michel: Well then I don't understand anything you've been saying.

Mr. Murnane: I'm sorry Your Honor. Elk's defense is these individuals said that they did not believe the art was material and that is objectively demonstrated by the actions of other people. And we say the district court did not look at that other evidence. Take a look at all the other evidence --

Judge Rader: You say it's not material and yet you cite it in the co-pending utility application, you find it in your search report, your inventors speaking to each other cite Giles as "of special importance," all these things tend to underscore what the district court said your reason for not disclosing, was either not credible or not objectively reasonable.

Mr. Murnane: Your Honor has pointed to a piece of the district court's decision which we believe is clearly erroneous. The district court decision says of all the references listed in the search report and there were five that were specifically discussed, Mr. Weaver mentions only Giles and says it's of special interest. Your Honor we have pointed out that he didn't do that. In two and a half lines he talks about Giles. In eleven and a half lines he talks about Noone and he went out and ordered the Noone file history and gave it to Mr. Kiik. He didn't think only Giles was of special interest. He thought they both were and this was of such interest that they went out and got the file history. These people the CertainTeed --

Judge Rader: But he did think Giles was of special importance?

Mr. Murnane: He did Your Honor.

Judge Michel: Your position is that it's not even material under the very minimal definition of materiality that's in the patent rules and is supported by our case law?

Mr. Murnane: No Your Honor? Because --

Judge Michel: Not material?

Mr. Murnane: No Your Honor. The reason being it does not together or with something else render the claim unpatentable.

Judge Michel: Yeah but that's not the test. The test is whether a competent examiner would have felt that being able to look at this reference was important. Not whether it would be dispositive not whether it was the cause of rejection or allowance but merely whether it was material enough that he would want to see it.

Judge Plager: That is that it spoke, it spoke to validity it didn't decide the question.

Mr. Murnane: Understood Your Honor, and again we have here what happened in the utility case when the Examiner had before GAF's arguments were presented to the Examiner, when the Examiner had the virgin view of this art that was put forward, no laminated shingle claim, this is a laminated shingle we have here, no laminated shingle claim was rejected in view of Bettoli, or Giles in combination with anything.

Judge Michel: But how is that responsive to what Judge Plager just said. It's not the dispositive quality it's just the relevance that controls here.

Mr. Murnane: Well Your Honor, assuming that I am incorrect and assuming that the individuals were incorrect in their belief that it was not material --

Judge Michel: We don't have to assume, we have findings by a trial judge and rather extensive record undergirding the finding and unless you can show us that those findings are really what a fifth grader would call wacked out, I don't see how we can reverse.

Mr. Murnane: Well Your Honor --

Judge Michel: You're not retrying the case here.

Mr. Murnane: Understood Your Honor. You have materiality that's one component. The next component is knowledge of materiality and we go back to Judge Rader's first question, how we can say that the district court was wrong in saying that the explanation of Elk was not credible. The district court did not look at all the evidence which Akron Polymer requires the district court to do. The district court did not look at what did

GAF witnesses do when they were faced with this invention?

Judge Michel: What do you mean, what this district court didn't look at? What are you saying?

Mr. Murnane: There is not one mention in this decision --

Judge Michel: Oh you mean it's not in the opinion. That's not the same as the district court didn't look at it, didn't consider it, it just means it wasn't commented on in the opinion. Not everything is commented on in an opinion.

Mr. Murnane: This was an enormous amount of evidence Your Honor. I would like to call back to *Akron Polymer* where this Court said that the district court extensively cataloged the evidence, enumerated the evidence but did not weigh it. Here we don't even have a mention of it. We had a meeting at DFW Airport just prior to the

issuance of this patent. GAF had filed a declaratory judgment action, they were contending this patent would not be valid. They jumped the gun a little fast, was contending this patent would not be valid. They didn't mention Bettoli, their own shingle, they had a Giles type shingle. They had a laminated Giles type shingle. You're going to see Exhibit 242 which they're going to bring up here which they've put together. They say it's a combination of Giles and Bettoli. It's not I can show you the pages later on in my rebuttal I'll point to the pages that show it's not a combination of those two. But anyway, they didn't bring up any of that evidence. The fact that our people had these views as to the relevance of this art is corroborated by their people. They have a 100

years experience in this--this was their art. They brought up --

Judge Michel: What is your point? That if its the view of some third party that that's dispositive and binds the fact finder who has to answer the question what would the average Examiner find important for purposes of his analysis, objectively determined.

Mr. Murnane: No Your Honor. My point is when credibility is weighed, if someone says this is so, we should not ignore the very compelling evidence of the other party which is in agreement with that position. In addition, Your Honor we have materiality, we have knowledge of materiality, we have intent. It would have been inconceivable had there been a plan to withhold this uncited art, it would have been inconceivable to put in the other things that they

put in. If in fact Mr. VanWinkle and once again it's important to note, Elk gave up all the art to Mr. VanWinkle and Baker & Botts. They gave it all over. Mr. VanWinkle a year before retirement, he's going through this, if he has this plan all on his own for whatever reason to commit inequitable conduct, why is he putting in art which is going to blow the whistle on him? Why is he putting in the Johns Manville shingle? Now they say you can't tell what that means. These Examiners knew very well what that meant. These Examiners had been told one year earlier by the Board of Appeals in the Noone case exactly what that Manville shingle was. Why would he do that? Elk was very aware of the Woodlands Shingle. Woodlands had been a private label --

Judge Michel: Let me stop you for just a minute. Ms. Thomason is he down to 2 minutes and a half total or of his initial argument?

Clerk: He's already into rebuttal.

Judge Michel: He's already into his rebuttal, Mr. Rosen.

Mr. Rosen: Thank you Your Honor. May it please the Court. I would like to start by answering the questions that Judge Rader asked of my adversary. Judge Rader said with Bettoli and High Sierra and Giles in the search report, why didn't you disclose it? And my adversary said they weren't in the search report. Giles was, High Sierra and Bettoli was not. He's partially correct in this respect. When Mr. Weaver the inventor ordered the search report from the Nies firm he said I want a patentability prior art search and by the way I already know about

Bettoli, here's the seven digit patent number because of course Elk was a licensee under Bettoli. So correct it is not in the "search report" because the inventor said to the search firm don't bother looking for Bettoli I've already got it. Second thing, why isn't High Sierra in there? High Sierra is non-patent prior art. Five times in Elk's briefs to this court starting on page 5, my adversary says "there is no evidence in the record that Elk knew about the High Sierra shingle. Your Honor I respectfully refer the court to the following: (1) Mr. Kiik testified he knew about High Sierra shingle before they filed this patent. (2) Mr. Weaver testified he knew about it. (3) Mr. Weaver said the plant is right across the road from ours in Ennis. (4) When counsel raised

this very issue before the district court and said that High Sierra only shows black we came in with an affidavit, an affidavit of the president of GS saying no it's not black, it's whatever the color of the shingle is and counsel stipulated to that. To put in his brief, five times and there are two briefs "there is no evidence in the record Elk knew about High Sierra is simply appalling.

Judge Michel: Let's not get into litigating the candor of counsel's brief. Just restrict yourself to helping us understand what the true facts are or we'll get into ad hominem back and forth.

Mr. Rosen: Okay. Let me answer Judge Rader's question about I think the first question posed to my adversary was what is it that the district court did not credit. Mr. VanWinkle. Mr. VanWinkle testified at deposition in this case

early on before the crime fraud order before we got all these documents that Your Honor referred to, and he said I don't know Bettoli, I never heard of Bettoli, what's a Bettoli, I don't have any recollection of anything that happened in this. I filed this in 1991, I retired in '92 and in 1995 he claimed no recollection of this. When he got to trial Mr. VanWinkle had an epiphany on the stand he said now I remember Bettoli I considered it and rejected it. Giles I considered it and found it to be what's relevant in other prior art. Second witness from Elk. Mr. Felger. Mr. Felger testified that he knew about Bettoli not at the DFW meeting. Three or four days later he filed an amendment to add prior art between the time of the notice of allowance and the time of the issuance of the

patent and never disclosed Bettoli. And now Your Honor if I may say --

Judge Rader: Mr. Mr. Rosen?

Mr. Rosen: Yes. I apologize Your Honor.

Judge Rader: The key often in these cases as we have discussed before is intent and gross negligence even grossly being negligent is not enough. You've got to find that there was an intent to deceive.

Mr. Rosen: Yes Your Honor.

Judge Rader: Where is this intent? I see a lot of negligence here, a lot of overlooking things. What would you say is the heart of the intent?

Mr. Rosen: Okay let me address that and it is an issue which I refer to is either defensive patenting or defensive infringement patenting. Your Honor let me address it in the following respect. We

have to go back to the Summer of 1991. Elk is going to market with its new product. It has sought a patent prior art search. It knows about Giles, Bettoli and High Sierra. At that point in time before an application was filed in September 1991 an intervening event of major importance occurs. That intervening event is that CertainTeed, another competitor, having obtained the Noone patent, writes to Elk and says your new shingle on the market infringes our patent. All of a sudden Elk's principal concern is uh, oh, how are we going to fend off a claim of infringement by CertainTeed. What happens? They file an application in September '91 Your Honor and the prior art disclosed in the IDS on the '144 is Noone and precisely the prior art disclosed in Noone. No more, no less.

Not a single reference left out, not a single reference added. We understood what that meant. We understood that the position whether credible or not is how do you overcome a claim of infringement by CertainTeed, you get a patent issued over CertainTeed. But you have to disclose only the same amount of art because if you leave out some art that was before the Noone Examiner then CertainTeed can say that your patent is no good you left out some prior art. If you disclose anything beyond Noone, like Giles and Bettoli you run the risk of the Examiner rejecting your application, you don't have your patent as a "defense to infringement."

Judge Rader: I take it that all that adds up to under your view or characterization of the evolving

circumstances, they would have an incentive to leave out - what they left out

Mr. Rosen: It's more than that. It's more than merely incentive. I'll tell you why Your Honor. This is a peculiar species of inequitable conduct because this inequitable conduct I'm talking about is a total repudiation of your obligation to disclose prior art relevant to your application and at trial Mr. Felger admitted it, at page A1632. We went through this, this defensive patenting and I must read this to you because this is the key to what happened here. Question:" So that explains why the art cited in the IDS in the '144 is exactly the same. No more, no less than in Noone patent. Is that right?" Answer by Mr. Felger. "Yes I believe the threat of litigation was the cause of that." It

is not simply motive Your Honor, it is also another species --

Judge Rader: But you said that the reason they didn't add the others was they feared they would get rejected. Didn't this district judge find that even if all this art were in the record it would have been patentable under 103?

Mr. Rosen: No because what the district court found was he thought that he didn't think it was obvious and he thought they could overcome the obviousness but the reason for that is because in the later prosecution in the CIP utility they submitted to the Patent Office to overcome an initial rejection of obviousness evidence of commercial success and other secondary factors, never submitted, never submitted to the design patent Examiner. And the district court judge is

of the belief and I believe it is gratuitous or if you will dicta that had they disclosed these items, that they would have succeeded. In terms of materiality Your Honor, I only have one to show you. This is Giles as described in the Giles patent. You could do it with paint or granules, a dark, a light and where the two meet in the middle forms a third. A color gradation dark, medium and light. This is Bettoli. And Elk's witnesses sat before this district court judge and said, we still think that Noone is more material prior art and is closer to our invention than is this. One last point on this subject Your Honor and that is as follows: opposing counsel argued below and does argue here that the reason he thinks or Elk thought Noone was more relevant is because of the function of the

design. The function being to create the allusion of depth in a flat shingle. This Court has held and I believe Judge Michel you wrote the opinion *In re Harvey* in 1993, when you are dealing with a design patent the relevant prior art is appearance and not function. And that was an issue. It's an argument that opposing counsel made to the district court time and again and is made to this Court in these briefs.

Judge Michel: Again why do we care what's more material? The only question is whether what was omitted with material?

Mr. Rosen: Well the reason is because Elk has to satisfy both standards. The standard Your Honor articulated, Judge Michel in response to my adversary's question about what's important to an Examiner, is the standard that applied at the

time that this application was filed in September of 1991. Effective March 16, 1992, Rule 56 was amended to apply the standard of anything that alone or in combination would make a prima facie case of non-patentability. Elk was under both standards because the first standard applied when they made the IDS in March, in September of 1991 and then the second standard picked up. They had to satisfy both standards. If they violated either one during the relevant time periods they committed inequitable conduct. Let me address the second issue of inequitable conduct that the district court found and this is Rule 56(b): separate and apart from what was withheld in the IDS, Rule 56(b) effective in March of '92 says as follows: If you withhold a prior art reference not by

inequitable conduct, not with intent to deceive even negligently, if you withhold the prior art reference you may not make arguments for patentability or over an Examiner's rejection which you could not have made had you disclosed that reference. This is the -- what the 56(b) part which is what we call I guess you got to stay honest with he Patent Office. Even if the original withholding of Bettoli was not with deceptive intent, when it came to 1993 and Mr. Felger argued to the patent Examiner to distinguish Morgan the structural prior art that the Examiner used to reject the patent application. He made the argument that Elk's invention was different from Morgan in three ways, every single one of those ways is taught by Bettoli.

Judge Rader: Alright. Well so he may have violated the rules but the issue is unenforceability for inequitable conduct which isn't necessarily co-terminus with every part of the rule.

Mr. Rosen: Well I think it is in this respect because 56 says that material --

Judge Michel: Are you saying that if somebody makes an argument in the circumstance you told that that by itself renders a patent unenforceable for inequitable conduct?

Mr. Rosen: If the argument was material that's the language of 56 -- the materiality includes --

Judge Michel: No I understand it's the language of 56 but is it the language of our case law? Do we hold anywhere that anything that violates 56 meets the test of unenforceability?

Mr. Rosen: No Your Honor.

Judge Michel: I didn't think so.

Mr. Rosen: No absolutely not. But the district court judge based on the credibility of the witnesses before him and witnesses who told different stories at different times, the credibility determinations of the district court judge included as a determination of inequitable conduct the disclosure I'm referring to or the argument I'm referring to that was made to the Examiner in 1993 in violation of 56(b). It wasn't a per se determination of inequitable conduct. Let me make one or two other points. This Court has said many times and it's carrying coals to Newcastle for me to cite particularly to this panel the proposition that substantial deference will be given to the credibility determinations to the district court judge. *Goodyear* and

Pharmaceutical, *Key Pharmaceuticals* are just two of the most recent cases etc.

Judge Michel: You can say more than that. You can say they are virtually unreviewable.

Mr. Rosen: That's why I say I feel like I'm carrying coals to Newcastle --

Judge Michel: Don't tell us the basic law. We know what the cases hold, we know what the standards are.

Mr. Rosen: Your Honor the next point I wanted to make was as follows: With respect to the seven different instances of inequitable conduct that we alleged before the district court, it is true that the district court found two of them as stand alone instances of inequitable conduct and rejected five as not meeting our burden of clear and convincing evidence, that is correct. But what is inescapable is that the district court

heard the testimony of these very same witnesses with respect to each of the seven and that is of critical importance in terms of the overall gestalt or credibility determinations if you will that the district court made. Let me give you an example. Mr. Felger testified at trial respecting inventorship fraud that there was never any quid pro quo between he and 3M to add Stapleton as an inventor, 3M's Stapleton, in return for or as a quid pro quo that 3M assigned their rights. That's what Mr. Felger testified to. Mr. Felger was impeached at trial by his own letter to 3M counsel which said, if you tell me in writing you will get the assignments signed by 3M to this invention and send them to me, if you represent in writing you're going to give me those assignments then I will proceed to file the

amendment to add Mr. Stapleton. That's the kind of evidence that, while it does not go to the two frauds that the district court had before it, is evidence that the district court had from these very same witnesses for whom the district court was obliged to consider and determine their credibility. I want to mention just quickly one or two of the other frauds because I believe that the decision in addition to being correct is sustainable, or it should be affirmed on one or two other grounds. One, --

Judge Michel: Are you asking us to find charges of inequitable conduct here on appeal that were not found by the court alone?

Mr. Rosen: Yes Your Honor to the extent they all involve credibility?

Judge Michel: What authority do we have to do that?

Mr. Rosen: Well Your Honor because a decision of the district court --

Judge Michel: We are reviewing what he did rely on. We are not deciding some things he didn't rely on.

Mr. Rosen: Your Honor I beg your pardon, perhaps I misunderstood the law of this Circuit but my understanding was that any ground on which the district court's decision can be affirmable is one that may be argued to this Court.

Judge Plager: I understood your argument to be that there was a pattern of conduct and behavior that would influence the trial judge's view with regard to the two specific issues that we have before us, that's all you were saying isn't it? You're not asking us to open up those other issues?

Mr. Rosen: That's correct. That's correct.

Judge Michel: We have all that in your brief. Your time has expired. Thank you. Mr. Murnane.

Mr. Murnane: Thank you Your Honor. I had mentioned Your Honor that I would identify that page, it's A06496 which indicates that it was May 1994 that GAF advised Elk of its inequitable conduct charge and Elk had advised the Patent Office in the '929 case in advance of that date, months in advance of that date of the art. Your Honor counsel has held up defendant's Exhibit 242 and has used language which the district court used when talking about the backer strip, talking about color striations. The district court has a finding and it's clearly erroneous that this backer strip shows striations. Counsel said you see them here dark, medium and light. We would invite attention Your Honors to the actual

exhibits. We would invite attention to the real Giles which is in Volume 2 of the Joint Appendix page 2713 and the real Bettoli which is in Volume 3, page 4273. If you look at the real Giles you won't see striations. You won't see in the pictures striations. You won't see in the text striations. You won't see that Mr. Giles had any awareness of three striations. He talks about colors gradually toning together and he talks about two. He described two, he depicted one fade and he claimed two. So the district court's finding is clearly erroneous with respect to color striations. It's just not there. With respect to counsel's comment concerning GS High Sierra, we say repeatedly in our brief that no Elk witness was aware of a GS High Sierra shingle with a shadow line which had a darker

band of the color rather than a black band. That's again corroborated by the GAF experience. We pointed out that Dr. LaPalme, their head scientist, who wrote to the president, Mr. Sergey, so concerned about the Noone patent, so concerned about the Noone patent they were going to cease manufacturing and marketing their black band laminated shingle and in his handwritten memo which we cited in our papers, he says other companies risk suit. First company he mention GS, he didn't say GS doesn't have to worry about it, they've got a different kind of shingle. Everybody regarded it as such until an affidavit was handed in at the end of trial. The judge himself said it looked black to me until you showed me the affidavit. With respect to Mr. Felger, and the testimony

that was just read about Mr. Felger he was not the attorney who prepared the IDS of the application. He came in later on so he's just surmising as to whatever Mr. VanWinkle did. And with respect to Mr. Felger's comments concerning the Morgan tabs those are 100% accurate, Morgan emphasized in his patent that you can make a shingle look like a wood shingle with real depth by extending the tabs.

Judge Michel: Counsel you are over your time. You are going to have to draw this to a close.

Mr. Murnane: Okay. He extended the tabs and gave a real shadow. We use color. That's not an obvious choice. That's my point Your Honor. Thank you.

Judge Michel: Thank you very much we will take the case under submission. That concludes the argument for this morning.

APPENDIX H

ELK

May 16, 1991

Mr. Fred Bergert
Nies, Kurb, Bergert and Tamburro
Suite 706
2121 Crystal Drive
Arlington, VA 22202

Dear Mr. Bergert:

Enclosed please find a description of two (2) shingle products which we plan to introduce within a year. I am requesting that you begin an initial patentability search on each of these products. It is my understanding that we will be billed $500 to $600 for each search.

Sincerely,

/s/
Paul Weaver
Process Control Manager

PW:slm

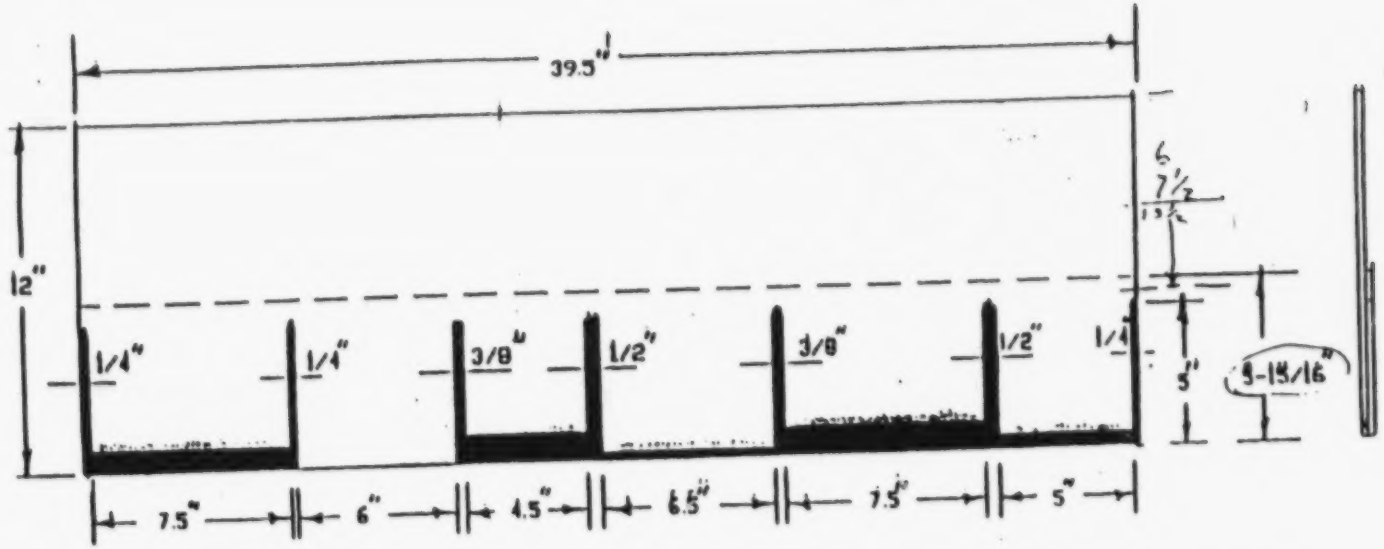
encl

cc: Bob Pine
Mike Kiik

PRODUCT NO. 1: TUSCALOOSA T-3

The enclosed sketch describes this product's appearance. This shingle's construction is similar to the one described in Bettoli's patent No. 3,921,358 which is also enclosed. The main difference is that our product tries to simulate the appearance of slate, not wood shingles.

TUSCALOOSA T-3



10 APART

PRODUCT NO. 2: "STRIATION"

The uniqueness of this product is in regard to the application of different color granules, as shown in the enclosed sketch. The bands of dark, medium, and light granules simulate shadows and highlights, thus giving the shingle an increased allusion of depth. Several of our competitors use a black or dark shadow line , but we know of no one using a shadow and highlight lines.

BEST AVAILABLE COPY

APPENDIX I

U.S. Pat. No. 3,613,328
to Morgan, Jr. et al.

ABSTRACT OF THE DISCLOSURE

A laminated, mineral-surfaced, asphalt strip shingle, which, when laid in courses on a roof, simulates the irregularity and attendant shadow effects found in wood shingles, while complying with Underwriters' Laboratories, Inc., standards for fire retardant asphalt shingles. The laminated shingle comprises an overlay lamina of asphalt roofing composition, of full width and length dimensions, with widely spaced cut-out tabs in its exposed area as applied on a roof, said cut-out tabs being of generally rectangular shape, and each being of different width and length. An underlay lamina, constituted by a narrow sheet of the same asphalt composition roofing material with no cut-outs, is laminated adhesively to the underside of the overlay lamina, filling the spaces between the tabs of the overlay lamina and providing tab-simulating areas between said tabs. The tabs of the overlay lamina overhang the lower edge of the underlay lamina, and the underlay lamina is shifted laterally with respect to the overlay lamina by a small amount to cover the butt joint between adjacent underlay laminae in the same course. Vertical alignment marks are provided, such that the underlay lamina overhangs the tops of the cut-outs between tabs of the overlay lamina in the next lower course. A plurality of horizontal laying marks, differently spaced, are provided to create a laying program, which avoids the appearance of repetitive or directional patterning.

Oct. 19, 1971 A. R. MORGAN, JR., ET AL 3,613,328
LAMINATED STRIP SHINGLE WITH MULTIPLE EXTENDED SHADOW-PRODUCING TABS OF VARIABLE WIDTH AND LENGTH
Filed May 13, 1970 8 Sheets-Sheet 1

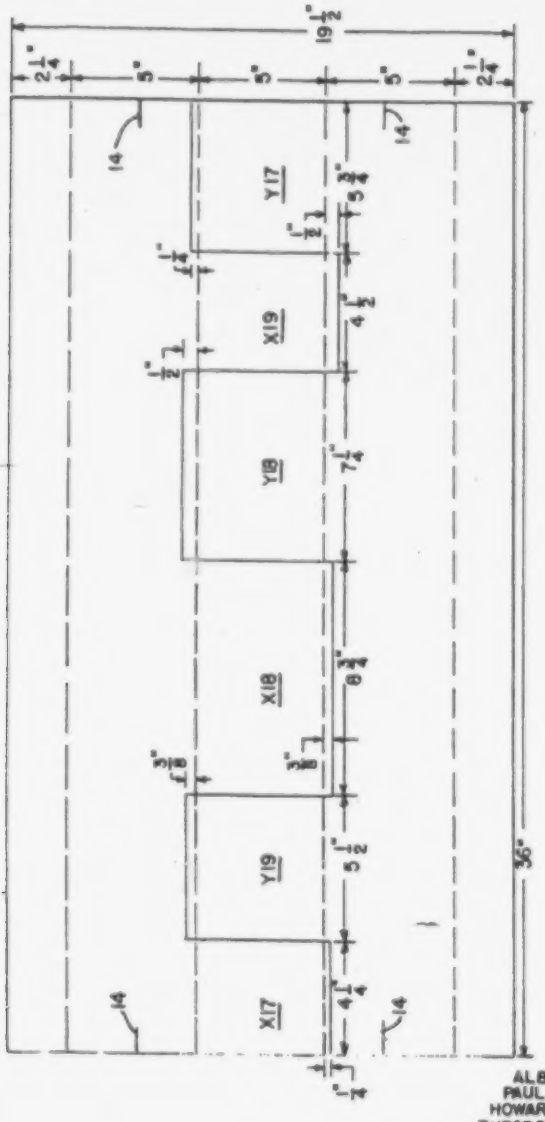


FIG. 1

INVENTORS
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BY Melvill, Strasser, Foster and Hoffman
ATTORNEYS

Oct. 19, 1971 A. R. MORGAN, JR., ET AL 3,613,328
LAMINATED STRIP SHINGLE WITH MULTIPLE EXTENDED SHADOW-PRODUCING TABS OF VARIABLE WIDTH AND LENGTH
Filed May 13, 1970 8 Sheets-Sheet 2

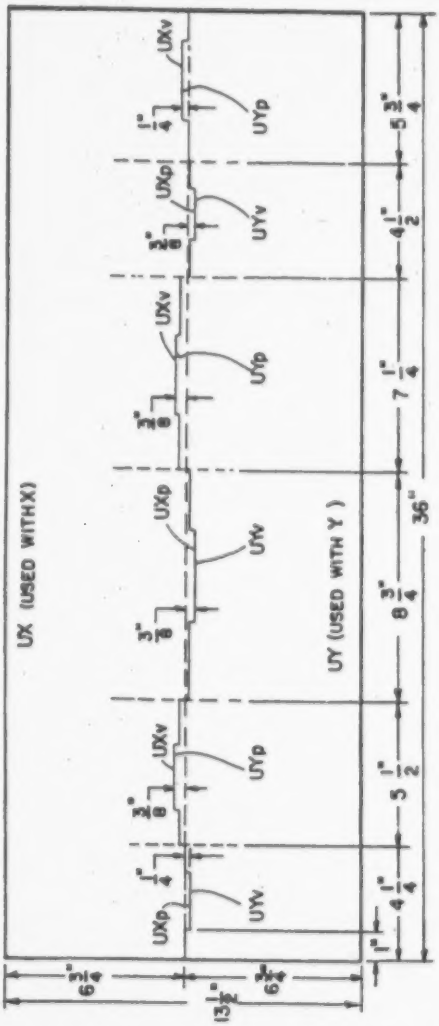

FIG. 3

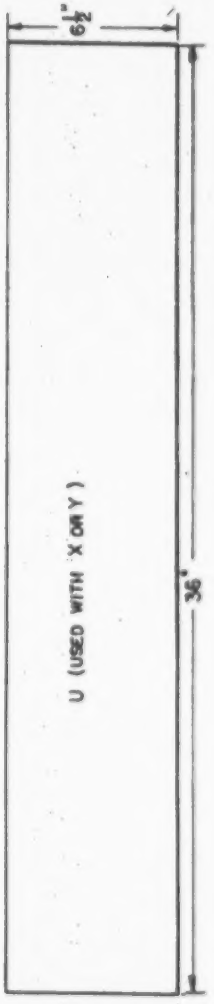

FIG. 2

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Filed May 13, 1970 8 Sheets-Sheet 3

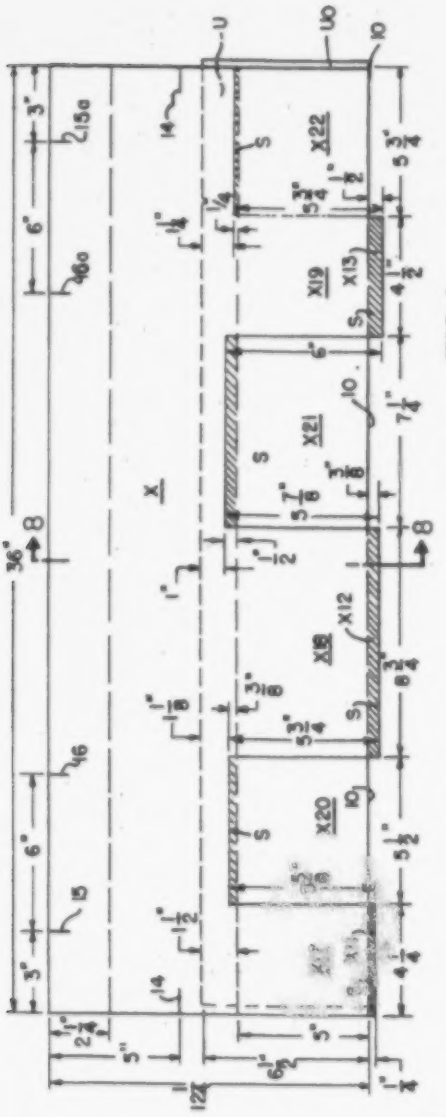

FIG.4

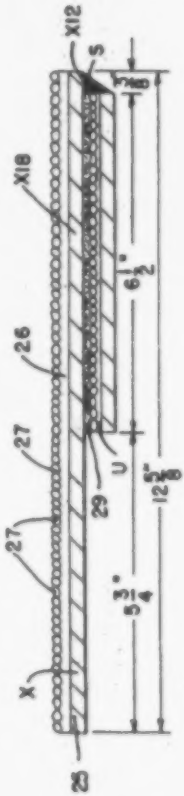

FIG.8

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LAMINATED STRIP SHINGLE WITH MULTIPLE EXTENDED SHADOW-PRODUCING TABS OF VARIABLE WIDTH AND LENGTH

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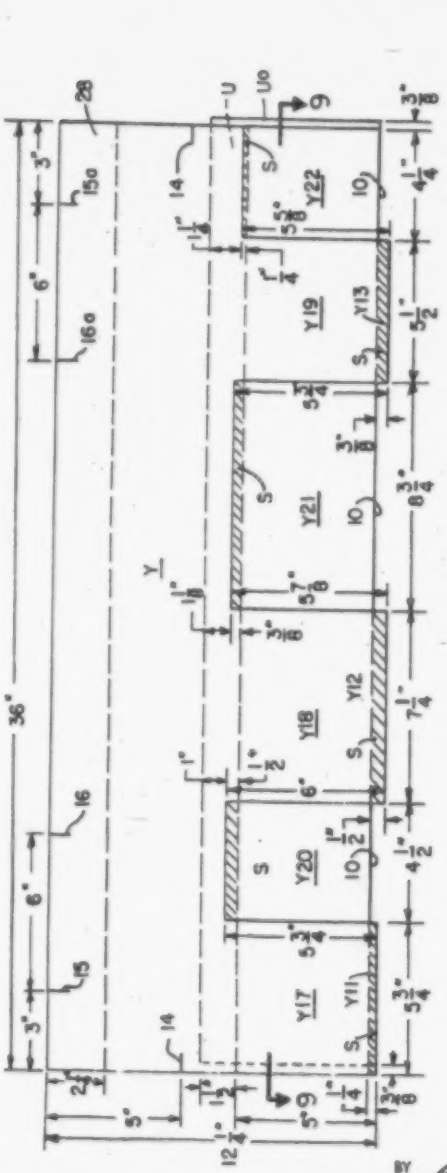

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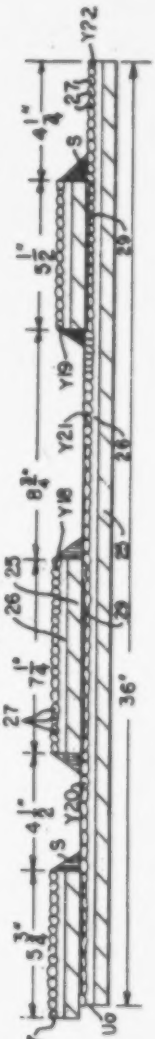

FIG. 9

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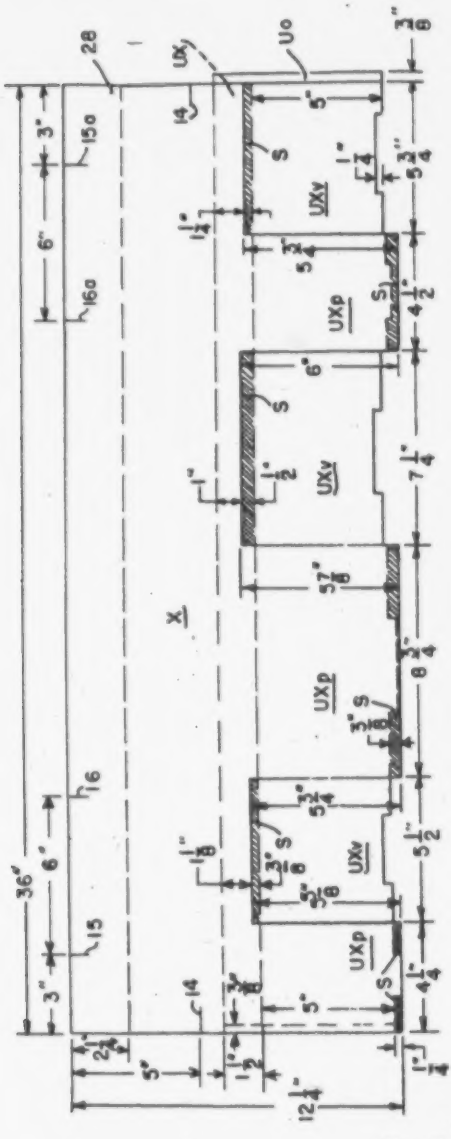

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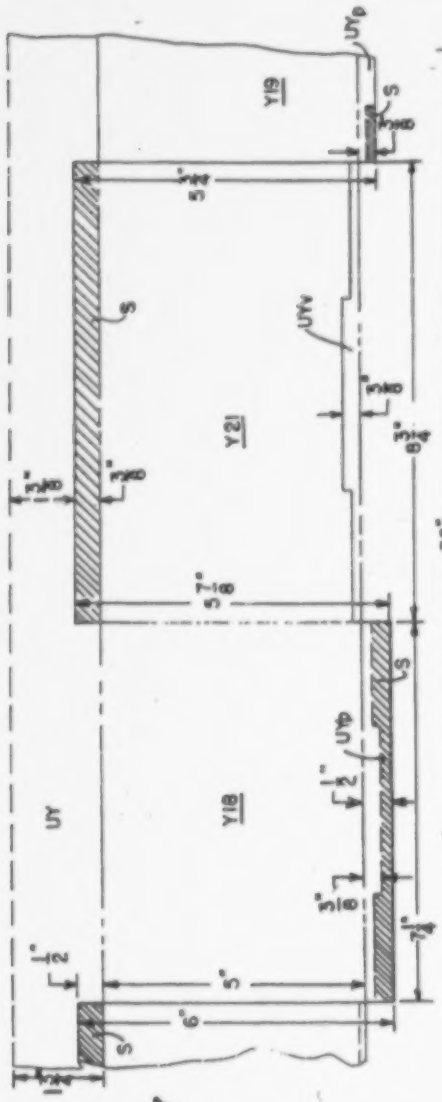

FIG. 7

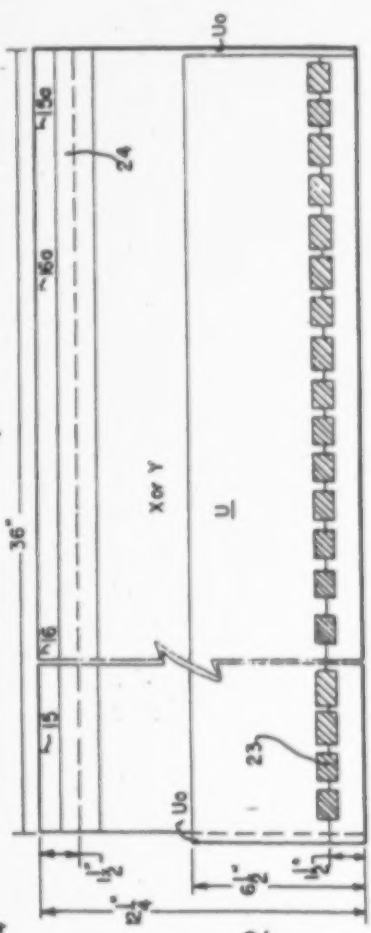

FIG. 12

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LAMINATED STRIP SHINGLE WITH MULTIPLE EXTENDED SHADOW-PRODUCING TABS OF VARIABLE WIDTH AND LENGTH
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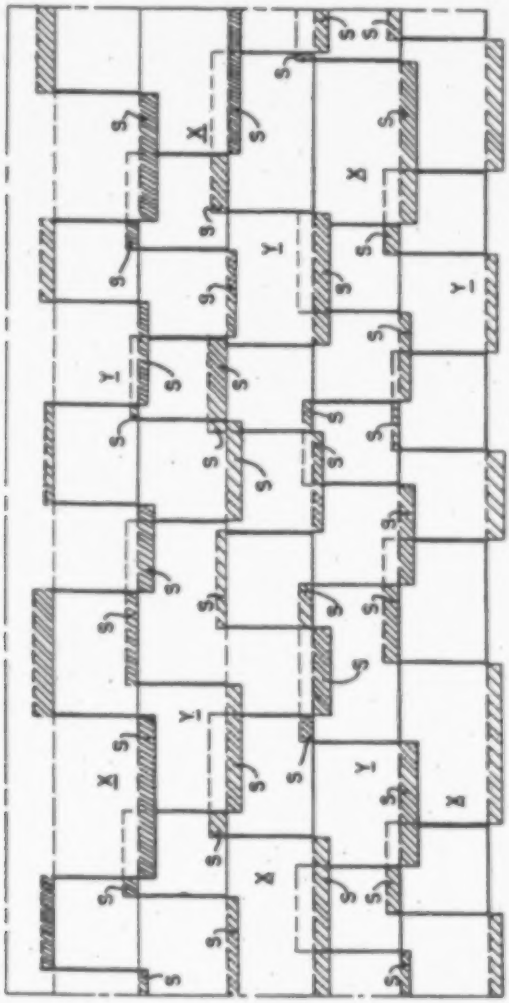

FIG. 10

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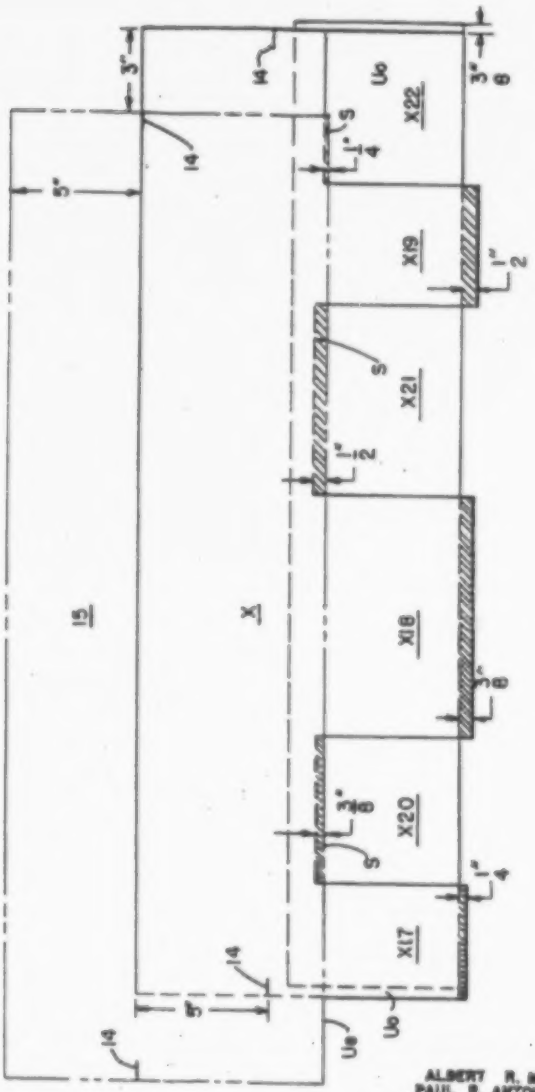

FIG. 11

INVENTORS

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APPENDIX J

US00D344144S

United States Patent [19]

Weaver et al.

[11] **Patent Number: Des. 344,144**

[45] **Date of Patent: ** Feb. 8, 1994**

[54] **LAMINATED SHINGLE**

[75] Inventors: **Casimir P. Weaver, Northport, Ala.; Marti Kilk, Richardson, Tex.; William J. Schaltz, St. Charles, Ill.**

[73] Assignee: **Elk Corporation of Dallas, Dallas, Tex.**

[**] Term: **14 Years**

[21] Appl. No.: **762,857**

[22] Filed: **Sep. 18, 1991**

[52] U.S. Cl. D25/139

[58] Field of Search 52/518, 524, 528, 529, 52/533, 536; D25/139-141

[56] **References Cited**

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Roofs Catalog by the Flintkote Company, Jul. 29, 1929, p. 20, State-Tone Shingles, illustration at top center.

Primary Examiner—A. Hugo Word

Assistant Examiner—Doris Clark

Attorney, Agent, or Firm—Baker & Botts

[57] **CLAIM**

The ornamental design for laminated shingle, as shown and described.

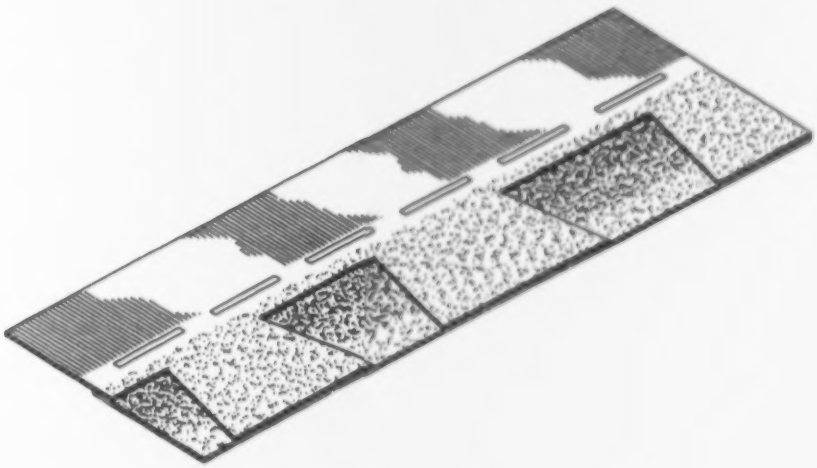
DESCRIPTION

FIG. 1 is a perspective view of a single laminated shingle incorporating our design, with the back view being plain and unadorned;

FIG. 2 is a top plan view of our design;

FIG. 3 is a front elevational view of our design; and,

FIG. 4 is a left side view of our design, the right side being a mirror image.



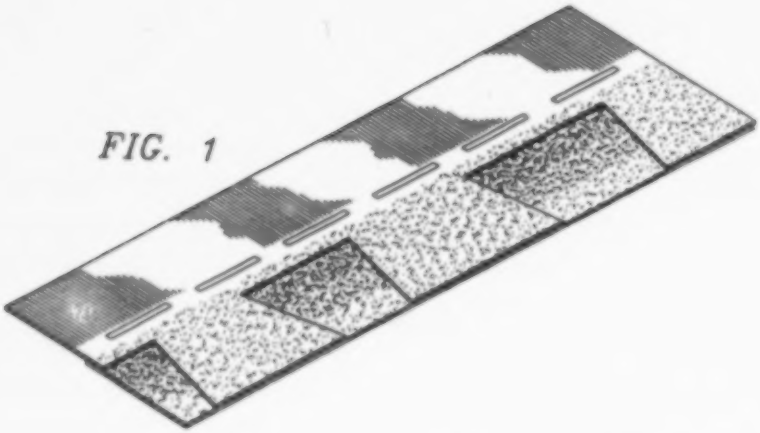


FIG. 1

FIG. 4

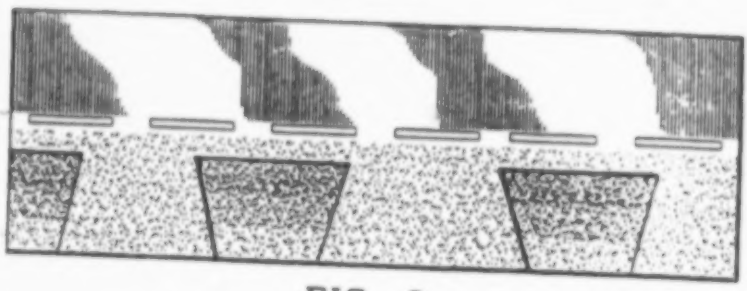


FIG. 2

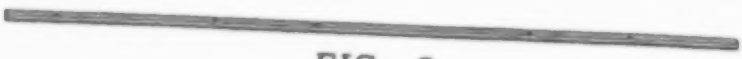


FIG. 3

APPENDIX K

Manual of Patent Examining Procedure

1503 Elements of a Design Patent Application

A design patent application has essentially the elements required of an application for a utility patent filed under 35 U.S.C. 101 (see Chapter 600). However, unlike the latter, a preamble still remains a requirement in a design patent application, and the arrangement of the specification is as specified in 37 CFR 1.154.

A claim in a specific form is a necessary element of a design patent application See MPEP § 1503.01.

A drawing is an essential element of a design patent application. See MPEP § 1503.02 for requirements for drawing.

1503.01 Specification and Claim [R-2]

37 CFR 1.153. Title, description and claim, oath or declaration.

(a) The title of the design must designate the particular article. No description, other than a reference to the drawing, is ordinarily required. The claim shall be in formal terms to the ornamental design for the article (specifying name) as shown, or as shown and described. More than one claim is neither required nor permitted.

(b) The oath or declaration required of the applicant must comply with § 1.63.

37 CFR 1.154. Arrangement of specification.

The following order of arrangement should be observed in framing design specifications:

(a) Preamble, stating name of the applicant and title of the design.
(b) Description of the figure or figures of the drawing.
(c) Description, if any.
(d) Claim.
(e) Signed oath or declaration (See § 1.153(b)).

¶ *15.05 Design Patent Application Arrangement*

The following order of arrangement should be observed in framing design patent applications:
(a) Preamble, stating the name of the applicant and the title of the design.
(b) Description of the figure or figures of the drawings.
(c) Description, if any.
(d) Claim.
(e) Signed oath or declaration (See 37 C.F.R. 1.153(b)).

PREAMBLE

The preamble must state the name of the applicant and the title of the design (37 CFR 1.153-1.154).

The title of the design identifies the article in which the design is embodied by the name generally known and used by the public. A title descriptive of the actual article aids the examiner in developing a complete field of search of the prior art and aids in the proper assignment of new applications to the appropriate class, subclass, and patent examiner, and the proper classification of the patent upon allowance of the application. It also aids the public in understanding the nature and use of the article embodying the design after the patent has been published. For example, a broad title such as "Adapter Ring" provides little clue as to the nature and intended use of the article embodying the design. Thus, applicants are encouraged to provide a specific and descriptive title.

Following are examples of preferred and non-preferred titles:

Preferred Title:	Rather than:
Stove	Heating Device
Vacuum Bottle	Bottle
Microwave Oven	Cooking Appliance
Alarm for an Automobile	Electronic Device

Since 37 CFR 1.153 requires that the title must designate the particular article, and since the particular article is defined by the claim, it follows that the language of the title and claim must correspond. When the language of the title and claim do not correspond, the title should be objected to under 37 CFR 1.153 as not corresponding to the language of the claim.

However, it is emphasized that, under the second paragraph of 35 U.S.C. 112, the claim defines "the subject matter *which the applicant regards* as his invention" (emphasis added). Thus, the examiner should afford the applicant substantial latitude in the language of the title/claim. The examiner should

only require amendment of the title/claim if the language is clearly misdescriptive, inaccurate, or unclear (i.e., the language would result in a rejection of the claim under 35 U.S.C. 112, second paragraph; see MPEP §*>1593,93<).

Any amendment to the language of the title must also be made in both the title and the claim. It is preferable (but not required) that the amended language also be incorporated into the figure description. However, it is not necessary to submit a new oath or declaration merely to obtain correspondence in terminology between the title, claim, and the oath or declaration.

¶ *15.05.1 Title of Design Invention*

The title of an article claimed in a design patent must correspond to the name of the article shown in solid lines in the drawings.

¶ *15.59 Amend Title*

For [1**], the title [2] amended throughout the application, original oath or declaration excepted, to read: [3].

Examiner Note:

>1. In bracket 1, insert reason.

2.< In bracket 2, insert "must be" or "has been."

***

1504.03 Nonobviousness

***

II. PRIMA FACIE OBVIOUSNESS

Once the factual inquiries mandated under *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), have been made, the examiner must determine whether they support a conclusion of *prima facie* obviousness. To establish *prima facie* obviousness, all the claim limitations must be taught or suggested by the prior art.

In determining *prima facie* obviousness, the proper standard is whether the design would have been obvious to a designer or ordinary skill with the claimed type of article. *In re Nalbandian*, 661 F.2d 1214, 211 USPQ 782 (CCPA 1981).

As a whole, a design must be compared with something in existence, and not something brought into existence by selecting and combining features from prior art references. *In re Jennings*, 182 F.2d 207, 86 USPQ 68 (CCPA 1950). The "something in existence" referred to in *Jennings* has been defined as "...a reference... the design characteristics of which are basically the same as the claimed design..." *In re Rosen*, 673 F.2d 388, 391, 213 USPQ 347, 350 (CCPA 1982) (the primary reference did "...not give the same visual impression..." as the

design claimed but had a "...different overall appearance and aesthetic appeal...".) Hence, it is clear that "design characteristics" means overall visual appearance. This definition of "design characteristics" is reinforced in the decision of *In re Harvey*, 12 F.3d 1061, 1063, 29 USPQ2d 1206, 1208 (Fed. Cir. 1993), and is supported by the earlier decisions of *In re Yardley*, 493 F.2d 1389, 181 USPQ 331, 334 (CCPA 1974) and *In re Leslie*, 547 F.2d 116, 192 USPQ 427, 431 (CCPA 1977). Specifically, in the *Yardley* decision, it was stated that "[t]he basic consideration in determining the patentability of designs over prior art is similarity of appearance." 493 F.2d at 1392-93, 181 USPQ at 334. Therefore, in order to support a holding of obviousness, a basic reference must be more than a design concept; it must have an appearance substantially the same as the claimed design. *In re Harvey*, 12 F.3d 1061, 29 USPQ2d 1206 (Fed. Cir. 1993). Absent such a reference, no holding of obviousness under 35 U.S.C. 103(a) can be made, whether based on a single reference alone or in view of modifications suggested by secondary prior art.

Supreme Court, U.S.
FILED
AUG 16 1999
OFFICE OF THE CLERK

No. 99-118

In The

Supreme Court of the United States

ELK CORPORATION OF DALLAS,

Petitioner,

v.

GAF BUILDING MATERIALS CORPORATION, BUILDING MATERIALS CORPORATION OF AMERICA, BUILDING MATERIALS CORPORATION OF AMERICA d/b/a GAF MATERIALS CORPORATION, and GAF MATERIALS CORPORATION,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

The Respondents are GAF Building Materials Corporation, Building Materials Corporation of America, Building Materials Corporation of America d/b/a GAF Materials Corporation, and GAF Materials Corporation (collectively "GAF").

The Petitioner is Elk Corporation of Dallas ("Elk").

TABLE OF CONTENTS

Page

PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT i

TABLE OF AUTHORITIES iv

PRELIMINARY STATEMENT 1

STATEMENT OF THE CASE 2

1. Introduction 2

2. The Alleged Invention 2

3. The Prior Art 3

4. Proceedings Before The PTO 4

5. The District Court Decision 5

6. The Federal Circuit Decision 9

7. Elk's Petition For Rehearing And Motion For Stay Of Mandate 10

REASONS FOR DENYING THE WRIT 11

1. The Petition Should Be Denied Because The Issue Raised Was Not "Pressed Or Passed On Below." 11

2. PTO Rule 56 Is Merely An Agency Guideline Designed To Help Inventors Comply With The Judicial Doctrine Of Inequitable Conduct (Including The Duty Of Candor And Good Faith To The PTO), And The Federal Courts Are Not Bound By The PTO's Interpretation Of That Judicial Doctrine 14

A. Introduction 14

B. The Defense Of Inequitable Conduct Is A Judicial Doctrine 15

TABLE OF CONTENTS – Continued

Page

C. PTO Rule 56 Does Not Bind The Federal Courts 17

3. The Federal Circuit Correctly Applied The Old Rule 56, Which Was In Effect When Elk's Patent Application Was Filed 20

4. The Result In This Case Would Not Change Because Elk's Conduct Contravenes Both Versions Of Rule 56 21

A. Introduction 21

B. Bettoli And Elk's Deceptive Arguments ... 22

C. Giles 24

D. GS High Sierra 25

E. Conclusion 25

CONCLUSION 26

TABLE OF AUTHORITIES

Page

FEDERAL CASES

A.B. Dick Co. v. Burroughs Corp., 798 F.2d 1392 (Fed. Cir. 1986) 5

Baxter Int'l v. McGaw, Inc., 149 F.3d 1321 (Fed. Cir. 1998) 22

Dickinson v. Zurko, 67 U.S.L.W. 3683, 119 S.Ct. 1816 (1999) 12, 14

Elk Corp. of Dallas v. GAF Building Materials Corp., 168 F.3d 28 (Fed. Cir. 1999) 9

Graver Tank & Manufacturing v. Linde Air Prod. Co., 336 U.S. 271, 69 S.Ct. 535, 93 L.Ed. 672 (1949) 22

Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 64 S.Ct. 997, 88 L.Ed. 1250 (1944) 16

Heckler v. Campbell, 461 U.S. 458, 103 S.Ct. 1952, 76 L.Ed.2d 66 (1983) 11

Illinois v. Gates, 462 U.S. 213, 103 S.Ct. 2317, 76 L.Ed.2d 527 (1983) 13

J.P. Stevens & Co. v. Lex Tex Ltd., 747 F.2d 1553 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985) 24

Keystone Driller Co. v. General Excavator Co., 290 U.S. 240, 54 S.Ct. 146, 78 L.Ed. 293 (1933) 16

Markman v. Westview Instruments, Inc., 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996) 13

McGoldrick v. Compagnie Generale Transatlantique, 309 U.S. 430, 60 S.Ct. 672, 84 L.Ed. 849 (1940) 11

TABLE OF AUTHORITIES – Continued

Page

Merck & Co. v. Danbury Pharmaceutical, Inc., 873 F.2d 1418 (Fed. Cir. 1989) 5

Molins PLC v. Textron, Inc., 48 F.3d 1172 (Fed. Cir. 1995) 1, 5, 20

Morrison v. Watson, 154 U.S. 111, 14 S.Ct. 995, 38 L.Ed. 927 (1894) 13

Panduit Corp. v. All States Plastic Mfg., 744 F.2d 1564 (Fed. Cir. 1984) 13

Precision Instrument Mfg. v. Automotive Maintenance Mach. Co., 324 U.S. 806, 65 S.Ct. 993, 89 L.Ed. 1381 (1945) 15, 16, 17

Tacon v. Arizona, 410 U.S. 351, 93 S.Ct. 998, 35 L.Ed.2d 346 (1973) 11

United States v. Johnston, 268 U.S. 220, 45 S.Ct. 496, 69 L.Ed. 925 (1925) 22

United States v. Morton, 467 U.S. 822, 104 S.Ct. 2769, 81 L.Ed.2d 680 (1984) 20

Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 86 S.Ct. 347, 15 L.Ed.2d 247 (1965) 17

FEDERAL STATUTES

35 U.S.C. § 1 *et seq.* 15

Federal Courts Improvement Act of 1982, Pub.L. No. 97-164, 96 Stat. 25 (1982) 13

S.Rep. No. 97-275, 97th Cong., 1st Sess. 5, *reprinted in* 1982 U.S.C.C.A.N. 11 ..... 13, 14

TABLE OF AUTHORITIES – Continued

Page

RULES AND OTHER AUTHORITIES

Sup. Ct. R. 10 14

37 C.F.R. § 1.56 (1998) ..... *passim*

37 C.F.R. § 1.56 (1991) 1, 18

42 Fed.Reg. 5588 (1977) 18

57 Fed.Reg. 2021 (1992) 18, 20

Manual Of Patent Examining Procedure § 2001.04 (7th ed., July 1998) 18

Manual Of Patent Examining Procedure § 2010 19

6 Donald S. Chisum, *Chisum on Patents* § 19.03 (1999) 17

Harry F. Manbeck, Jr., *The Evolution and Issue of New Rule 56*, 20 AIPLA Q.J. 136 (1992) 19

Robert L. Baechtold, *I'm Just Wild About Harry*, 20 AIPLA Q.J. 185 (1992) 19

PRELIMINARY STATEMENT

This case is inappropriate for Supreme Court review for several reasons, including the complete failure of Elk to raise before the Federal Circuit the issue it now asks this Court to address. The Federal Circuit applied its "reasonable examiner" standard of materiality[1] to Elk's conduct before the United States Patent and Trademark Office ("PTO"). Following the Federal Circuit's affirmance, Elk filed an extensive Petition for Rehearing, but made no argument that the Federal Circuit's materiality standard was incorrect. Particularly in the complex area of patent law, which Congress has entrusted to the Federal Circuit, this Court should not review an issue not expressly considered below. Certiorari should also be denied because this case involves a peculiar fact situation, unlikely to recur, and because the courts, not the PTO, are the body for establishing the test for materiality in inequitable conduct cases. Finally, because there was overwhelming evidence to support the District Court's judgment and the Federal Circuit's affirmance, even if Elk were correct that the Federal Circuit applied an incorrect materiality standard, the result of the case would not change.

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[1] The test for determining whether information is material to a patent application is whether there is "a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue." *See, e.g., Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179 (Fed. Cir. 1995). Prior to March 16, 1992, 37 C.F.R. § 1.56 ("Rule 56") was consistent with the Federal Circuit's "reasonable examiner" standard. *See* 37 C.F.R. § 1.56 (1991).

STATEMENT OF THE CASE

1. *Introduction.* This is a case in which Elk breached its duty of candor, good faith, and honesty to the PTO by failing to disclose three pieces of material prior art during the prosecution of Elk's United States Design Patent No. DES 344,144 ("the '144 Design Patent"), the patent in dispute. The District Court found that the undisclosed prior art was more material to the '144 Design Patent than any art disclosed by Elk to the PTO and should have been disclosed. The District Court further found that Elk made deceptive arguments to the PTO and that, because Elk's conduct was intentional, Elk had engaged in inequitable conduct, rendering the '144 Design Patent unenforceable. The Federal Circuit unanimously affirmed the District Court's judgment that the '144 Design Patent was unenforceable due to Elk's inequitable conduct.

2. *The Alleged Invention.* Both Elk and GAF manufacture laminated roofing shingles. In 1975, GAF obtained the seminal patent in the area, the Bettoli Patent,[2] which discloses several designs for laminated roofing shingles. GAF licensed the Bettoli Patent to Elk, and Elk manufactured and sold laminated shingles produced under that license in competition with GAF. (A04305-09; A00600).

In 1988, Elk undertook a project to improve its Bettoli-type laminated shingles by adding color to the backer sheet portion of the shingle to enhance the appearance of depth. (A00542-43; A00545). Eventually Elk settled on a design featuring three color striations, darkest at the top

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[2] U.S. Patent No. 3,921,358.

to lightest at the bottom, on the backer sheet of a Bettoli-type shingle. It was this design that was the invention claimed in Elk's '144 Design Patent.

3. *The Prior Art.* In May 1991, Paul Weaver, an Elk employee and one of the inventors, asked a patent search firm to conduct prior art searches on two shingle products Elk planned to introduce, one of which was the design reflected in the '144 Design Patent. In his letter to the search firm, Weaver advised the firm of his knowledge of the Bettoli Patent. (A04387)

The results of the patent search concerning the shingle at issue disclosed eight patents, all relating to roof shingles. (A04391-92). The first reference discussed in the report from the search firm was the Giles Patent,[3] which showed three color striations, from dark at the top to medium in the middle and light at the bottom on a strip, rather than a laminated, shingle.[4] (A04391-92; 2713-16).

When Weaver subsequently forwarded the result of the patent search to Matti Kiik, another Elk employee and co-inventor, Weaver highlighted the pertinence of the Giles Patent ("the Weaver Memo") (Appendix 1):

> *Of special interest* was the Giles patent (1936) which disclosed the use of a highlighted 'leading edge' to create an illusion of depth . . . (A04393) (emphasis added).

Thus, it is undisputed that the inventors were aware of the Giles Patent and recognized its materiality long

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[3] U.S. Patent No. 2,036,329.

[4] A strip shingle is a single-ply, non-laminated roofing shingle.

before the application for the '144 Design Patent was filed.

During this time, Elk was also aware of a competitive roofing shingle, the GS High Sierra shingle, which is manufactured and distributed from a plant located across the street from Elk's plant in Ennis, Texas. The GS High Sierra shingle is a Bettoli-type laminated shingle, identical to Elk's design, except it has two color striations instead of three.

4. *Proceedings Before The PTO.* Elk filed its application for the '144 Design Patent in September 1991, *long before* the March 16, 1992 amendment to Rule 56. When Elk filed its design patent application, it disclosed some prior art references, but Elk did not disclose to the PTO (i) the Bettoli Patent, which was the starting point for Elk's "invention" and which showed a laminated shingle configuration identical to Elk's, (ii) the Giles Patent, which showed coloration identical to that claimed by Elk, or (iii) the GS High Sierra shingle, which utilizes two, rather than three, color striations on the backer sheet of a laminated shingle. (Trial Exibit PX2).

The PTO initially rejected the '144 Design Patent as obvious based on a combination of two patents, the Morgan Patent and the Sadler III Patent. (A02082-83). To overcome this rejection, Elk argued that its design had features different from Morgan. However, the very features Elk relied upon to distinguish its design from Morgan were features shown by Bettoli, a fact that Elk knew and failed to disclose. (A00025). By its arguments and suppression of Bettoli, Elk successfully overcame the

PTO's rejection and, on February 8, 1994, its '144 Design Patent issued. (A0246-49).

The materiality of the Bettoli and Giles Patents is underscored by events occurring during the prosecution of a related patent. On February 1, 1994, just days before the '144 Design Patent issued, Elk filed a continuation-in-part application for a utility patent covering the same laminated shingle claimed in the '144 Design Patent. In the new patent application, Elk disclosed the existence of the Bettoli and Giles Patents. The PTO rejected Elk's utility application, first on the basis of Giles alone and then on the basis of Bettoli in combination with Giles.[5] The PTO's rejection of the utility patent application based on Giles and Bettoli is compelling evidence that a reasonable patent examiner would have considered the Bettoli and Giles Patents important in deciding whether to allow the '144 Design Patent.[6]

5. *The District Court Decision.* On October 10, 1997, after more than three years of pretrial proceedings, eight days of trial, testimony from twelve live witnesses and

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[5] Elk was eventually able to overcome the PTO's rejections and the application issued as U.S. Patent No. 5,369,929. The utility patent application was evaluated by different patent examiners from those who considered the application for the '144 Design Patent. (Trial Exhibits PX1 and PX82).

[6] The fact that a patent application is eventually allowed over the withheld prior art does not render the prior art immaterial. *Molins PLC v. Textron, Inc.*, 48 F.3d at 1179; *see also Merck & Co. v. Danbury Pharm., Inc.*, 873 F.2d 1418, 1420-21 (Fed. Cir. 1989); *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392, 1397-98 (Fed. Cir. 1986). Of course, the PTO was never given the opportunity to consider the Bettoli and Giles Patents in connection with the '144 Design Patent application.

another dozen witnesses through deposition transcripts, and consideration of the lengthy record, which included more than 200 exhibits, the District Court ruled that Elk had engaged in inequitable conduct by failing to disclose the Bettoli Patent, the Giles Patent and the GS High Sierra shingle to the PTO and by making deceptive arguments to overcome the PTO's initial rejection of the application – arguments that could not have been made had Elk discharged its duty of candor to the PTO. (Elk Appendix B).

After outlining the "materiality" standard in the current version of 37 C.F.R. § 1.56 ("Amended Rule 56"), the District Court determined the materiality of each of the references Elk had concealed, under that standard.[7] Addressing Bettoli first, the court held that Bettoli is material prior art that Elk should have disclosed:

> In this case, since Elk claimed the novel feature of color striations on the backer sheet of a Bettoli laminated shingle, Bettoli is material prior art. Additionally, the fact that the examiner initially rejected [Elk's] . . . application, in part, on the basis of Morgan . . . suggests that the examiner believed that laminated shingles were material prior art. Thus, the examiner's rejection of the application on the basis of Morgan, a laminated shingle, is of strong probative value in determining the materiality of Bettoli.

(Elk Appendix B, pp. 22-23). The court held that Giles is also material prior art that Elk should have disclosed:

> Giles teaches horizontal zones, or striations, of colors on shingles to create an appearance of

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[7] In 1992, the PTO amended 37 C.F.R. § 1.56 to its current form, Amended Rule 56. *See* 37 C.F.R. § 1.56 (1998).

> depth. The examiner initially rejected [Elk's] . . . application, in part, on the basis of Sadler III because Sadler 'shows horizontal strips spaced evenly, midway the face of the shingle to be old in the prior art.' . . . This office action by the PTO placed Elk on notice that the PTO considered prior art showing horizontal coloration material to the claimed invention. Certainly, Giles is closer prior art with respect to horizontal coloration on shingles than is Sadler.

(Elk Appendix B, pp. 26-27). The District Court also noted that from the PTO's initial rejection of Elk's utility patent application, the PTO plainly considered Bettoli and Giles to be material to the claimed invention. (Elk Appendix B, p. 32). The District Court further held that GS High Sierra was material because it was a laminated shingle that used a band of color at the backer sheet to create an appearance of depth in the same manner utilized in Elk's '144 Design Patent. (Elk Appendix B, p. 28).

The District Court rejected Elk's arguments that it had disclosed Bettoli, as well as its after-the-fact arguments disputing the materiality of the concealed prior art references. (Elk Appendix B, pp. 23-24). The District Court rejected Elk's contention that it did not believe Giles, Bettoli, or GS High Sierra were material:

> In light of the evidence, Elk's argument that it considered Giles, Bettoli, and High Sierra not material or cumulative of Noone and Ritter is neither credible nor able to withstand objective scrutiny.

(Elk Appendix B, p. 33).

The District Court noted the overwhelming evidence of Elk's intent to deceive the PTO, including the clear

materiality of the withheld references, the inability of Elk to explain its failure to cite the withheld references, the rejection by the PTO of the '144 Design Patent application based on art clearly inferior to the references that Elk withheld, the inventors' internal recognition and emphasis of the Giles Patent, and the failure of Elk's attorney to follow his usual practice of citing to the PTO all art disclosed in a patent search. (Elk Appendix B, p. 33). The District Court found that Elk did not live up to its duty to act with candor:

> Because the reasons given by Elk for not disclosing material prior art are not credible nor objectively reasonable the court cannot but draw the reference that the failure to disclose was done with the intent to deceive or certainly with such recklessness that an inference of intent to deceive is warranted.

(Elk Appendix B, p. 33).

Finally, the District Court found that Elk engaged in inequitable conduct in making arguments to the PTO to overcome the initial rejection of the design patent application:

> The arguments made by Elk to distinguish Morgan and Sadler III could not have been made had Elk disclosed Bettoli, Giles and the GS High Sierra [shingle].[8]

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[8] This finding by the District Court is itself sufficient to establish materiality of Bettoli, Giles and the GS High Sierra shingle under Amended Rule 56. *See* Section 4 B *infra*.

(Elk Appendix B, p. 34). Thus, the District Court concluded that Elk had engaged in inequitable conduct rendering the '144 Design Patent unenforceable. (Elk Appendix B, p. 42).

6. *The Federal Circuit Decision.* In affirming the judgment of the District Court, the Federal Circuit focused on what it characterized as the most "pertinent" allegations of misconduct – Elk's failure to disclose the Bettoli and Giles Patents. (Elk Appendix A).[9] Applying its longstanding "reasonable examiner" standard for materiality, the Federal Circuit agreed that both were material to the '144 Design Patent. The Federal Circuit rejected Elk's contention that Bettoli and Giles were cumulative because there were important differences between each and the art disclosed to the PTO in connection with the '144 Design Patent. (Elk Appendix A, p. 9).

The Federal Circuit also noted the following additional evidence of the "high level of materiality of the Bettoli Patent": the invention claimed in the '144 Design Patent was an improved Bettoli-type shingle, the inventors knew the design was very similar to the Bettoli Patent, and the testimony indicated that Elk's patent attorney also knew of its materiality. (Elk Appendix A, p. 11). With respect to Giles, the Federal Circuit found support for the District Court's judgment in the fact that the search report listed and discussed the Giles Patent and inventor Weaver's memo "contained his admission that the Giles Patent was important." *Id.* Thus, the Federal

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[9] The Federal Circuit's decision is also reported at *Elk Corp. of Dallas v. GAF Bldg. Materials Corp.*, 168 F.3d 28 (Fed. Cir. 1999).

Circuit concluded that the materiality of the withheld references was amply supported by the record and affirmed, finding that the District Court did not abuse its discretion in determining that Elk and its attorneys had committed inequitable conduct rendering the '144 Design Patent unenforceable. (Elk Appendix A, p. 12).

7. *Elk's Petition For Rehearing And Motion For Stay Of Mandate.* In its Petition for Rehearing and Suggestion for Rehearing In Banc (Appendix 2), Elk argued that the Federal Circuit misunderstood its invention and overlooked evidence of its good faith.[10] Elk did not contend that the Federal Circuit applied an incorrect materiality standard, either in its Petition for Rehearing or in its Reply Brief in Support thereof. (Appendix 3). Likewise, in its Motion for Stay of Mandate (Appendix 4), Elk made no mention of its intention to advance such an argument in its Petition for Certiorari. Instead, Elk advised the Federal Circuit that it intended to petition on the same grounds set forth in its Petition for Rehearing, *i.e.*, that (i) Elk had been denied due process because the Federal Circuit did not understand Elk's claimed invention, and (ii) the Federal Circuit's Opinion would require patent

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[10] The issues "of exceptional importance" identified by Elk in its Petition for Rehearing were (i) "May a panel of this Court, which has not construed the claim of the patent in suit, hold that material art has been inequitably withheld from the United States Patent and Trademark Office?" and (ii) "Must a panel of this Court, which deems uncited art to have 'a high level of materiality', weigh all the evidence, including evidence of good faith, when determining whether intent to deceive has been proved by clear and convincing evidence?" (Appendix 2, pp. 8-9).

applicants to disclose all known prior art "because corroborating evidence of good faith will not be weighed by the Court." (Appendix 4, p. 46).

REASONS FOR DENYING THE WRIT

1. The Petition Should Be Denied Because The Issue Raised Was Not "Pressed Or Passed On Below."

Absent exceptional circumstances, the Supreme Court will not consider issues not pressed or passed upon in the courts below. *Heckler v. Campbell*, 461 U.S. 458, 468-69 n.12, 103 S.Ct. 1952, 1958-59, 76 L.Ed.2d 66 (1983); *Tacon v. Arizona*, 410 U.S. 351, 352, 93 S.Ct. 998, 999, 35 L.Ed.2d 346 (1973) ("We cannot decide issues raised for the first time here."); *McGoldrick v. Compagnie Generale Transatlantique*, 309 U.S. 430, 433-34, 60 S.Ct. 672, 84 L.Ed. 849 (1940). The issue raised by Elk's Petition was never presented to the Federal Circuit, and there are no exceptional circumstances that should cause the Supreme Court to deviate from its settled practice in this case.

A review of the proceedings below shows that the issue now framed by Elk – whether Amended Rule 56 of the PTO controls the Federal Circuit in inequitable conduct cases – was neither argued nor decided below. The most telling evidence that the issue Elk now asks this Court to review is an afterthought, manufactured by Elk solely in an effort to obtain Supreme Court review, is the fact that the argument was not raised either in Elk's Petition for Rehearing and Suggestion for Rehearing In Banc (Appendix 2) or in its Motion for Stay of Mandate

(Appendix 4). Elk's complete failure to raise this issue below is further evidenced by the fact that almost none of the authorities cited in its Petition were cited by Elk in the proceedings before the Federal Circuit.[11] Significantly, neither the pre-1992 version of Rule 56 nor the Amended Rule 56 was cited to the Federal Circuit in either Elk's Petition for Rehearing, Elk's Reply in Support of its Petition for Rehearing, or Elk's Motion for Stay of Mandate. (See Appendix 2, 3 and 4). Thus, Elk never advised the Federal Circuit of the claimed error or otherwise gave it the opportunity to address the issue Elk now contends is so critical to the patent bar.[12]

Elk's complete failure to raise this issue below stands in stark contrast to the principal case Elk relies upon, *Dickinson v. Zurko*, 67 U.S.L.W. 3683, 119 S.Ct. 1816 (1999), where the issue presented had been the subject of debate since 1946 and the "Federal Circuit, hoping definitely to resolve the . . . controversy, . . . heard the matter en banc." 119 S.Ct. at 1819. Instead, this case involves "the routine restatement and application of settled law by an appellate court," which this Court has previously found insufficient to satisfy the "pressed or passed upon below" rule.

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[11] In its Petition for Certiorari, Elk cites fifty-seven cases, only five of which were cited to the Federal Circuit, all on unrelated issues.

[12] GAF reminded the Federal Circuit that the application for the '144 Design Patent was filed under the pre-1992 version of Rule 56 and was issued after Rule 56 had been amended by the PTO. Elk never addressed this issue before the Federal Circuit and certainly never argued that it was not subject to the pre-1992 Rule 56 "reasonable examiner" standard of materiality in this case.

See, e.g., Illinois v. Gates, 462 U.S. 213, 221-23, 103 S.Ct. 2317, 2323-25, 76 L.Ed.2d 527 (1983); *Morrison v. Watson*, 154 U.S. 111, 14 S.Ct. 995, 38 L.Ed. 927 (1894). When the lower court's application of a decisional rule is merely a routine act, and there has been no "adversarial dispute" that would have enabled the lower court to reach a reasoned decision as to whether the rule should be changed, the Court has consistently refused to consider the newly-raised issue. *See id.* Here, the Federal Circuit routinely applied the materiality standard it has applied in inequitable conduct cases for years without "any real contest upon the point." To consider the issue in this context would deprive the Federal Circuit the opportunity to give its "considered judgment" to the issue before it is addressed by this Court.

No exceptional circumstances exist here to warrant departure from this Court's prudential rule precluding review of matters neither pressed nor passed on below. Indeed, patent cases logically call for an especially rigorous application of the rule. Congress created the Federal Circuit for the specific purpose of promoting greater uniformity in patent law development and application. *See* Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982), S. REP. NO. 97-275, 97th CONG., 1st SESS. 5, *reprinted in* 1982 U.S.C.C.A.N. 11, 15; *see also Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390, 116 S.Ct. 1384, 1396, 134 L.Ed.2d 577 (1996) (Congress created Federal Circuit in order to obtain uniformity in the area of patent law); *Panduit Corp. v. All States Plastic Mfg.*, 744 F.2d 1564, 1574-75 (Fed. Cir. 1984). Accordingly, the Federal Circuit relieves the Supreme Court of the burden of adjudicating fact specific cases like this one.

S. REP. NO. 97-275, at pg. 3. Prudential considerations dictate that this Court's jurisdiction be sparingly exercised, particularly where the Federal Circuit has not first been given an opportunity to speak to the issue. Because the issue now urged upon this Court was not even raised before the Federal Circuit – the court to which Congress assigned threshold responsibility for the field – this is not an issue that this Court should consider.

2. PTO Rule 56 Is Merely An Agency Guideline Designed To Help Inventors Comply With The Judicial Doctrine Of Inequitable Conduct (Including The Duty Of Candor And Good Faith To The PTO), And The Federal Courts Are Not Bound By The PTO's Interpretation Of That Judicial Doctrine.

A. *Introduction.* Because none of the explicit grounds in Supreme Court Rule 10 are applicable, Elk has attempted to manufacture a conflict between the Federal Circuit and the PTO to obtain review. Elk's reliance on *Dickinson v. Zurko, supra,* in that effort is misplaced. *Zurko* involved the Federal Circuit's review of an administrative decision of the PTO, while this case involves the Federal Circuit's review of a district court's exercise of its equitable powers through application of a judicial doctrine. By pointing to *Zurko,* Elk seeks to confuse the two circumstances and create the illusion of a "conflict" between the Federal Circuit and the PTO. *Zurko* is not germane.

The fatal flaw in Elk's effort to create a conflict between the PTO and the Federal Circuit is that a patent applicant's duty of candor and good faith to the PTO (the

basis for Rule 56 and its definition of "material" information) derives from a judicial doctrine announced by this Court. Rule 56 is not a binding agency implementation of a statute; it is the PTO's interpretation of one aspect of the judicially-created doctrine of "inequitable conduct."[13]

B. *The Defense Of Inequitable Conduct Is A Judicial Doctrine.* The defense of "inequitable conduct" in patent cases is a judicial doctrine rooted in this Court's decision in *Precision Instrument Mfg. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 818, 65 S.Ct. 993, 999, 89 L.Ed. 1381 (1945). In *Precision*, the Court was confronted with a patent infringement case where the underlying patent had been procured through perjury and fraudulent concealment. Applying the equitable doctrine of "unclean hands," the Court declined to exercise its equitable powers to enforce a patent that had been obtained by inequitable conduct. *Id.* at 814-18. In doing so, the Court announced that a patent applicant owes a duty of candor, good faith, and honesty to the PTO, and a breach of that duty constitutes inequitable conduct rendering the patent unenforceable. *Id.* at 818.

The *Precision* Court also stated that the equitable maxim, "he who comes into equity must come with clean hands," necessarily gives a "wide range to the equity court's use of discretion in refusing to aid the unclean litigant. It is 'not bound by formula or restrained by any limitation that tends to trammel the free and just exercise

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[13] The Patent Act of 1952 does not contain the words "fraud," "inequitable conduct," or "materiality." *See* 35 U.S.C. § 1 *et seq.*

of discretion.' " *Id.* at 814-15 (quoting *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 246, 54 S.Ct. 146, 148, 78 L.Ed. 293 (1933)). With that foundation laid, the Court then held that

> Those who have applications pending with the PTO or who are parties to PTO proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue. This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the PTO, which can then pass upon the sufficiency of the evidence. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the PTO and the public escape from being class among the 'mute and helpless victims of deception and fraud.'

Id. at 818 (citing *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 247, 64 S.Ct. 997, 1001, 88 L.Ed. 1250 (1944) (lower court judgments of infringement were set aside because they were based upon a fraudulently procured patent)); *see also Keystone Driller*, 290 U.S. at 243-45, 54 S.Ct. at 147-48, 78 L.Ed. 293 (patent held unenforceable under doctrine of unclean hands where patentee concealed knowledge of invalidating prior use of patent invention).[14]

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[14] In a more recent decision, pointing to the equitable doctrine of unclean hands, the Court held that a patentee's

Whether an applicant has violated the duty of candor, good faith, and honesty to the PTO, and whether such a violation constitutes inequitable conduct sufficient to render a patent unenforceable, is a decision committed to the discretion of the courts and is by necessity a fact-based inquiry. The Court's ruling in *Precision* has been echoed by the lower courts, and the doctrine of inequitable conduct has developed, on a case-by-case basis, into its current formulation. *See generally* 6 Donald S. Chisum, *Chisum on Patents* § 19.03 (1999) (discussing the judicial development of the doctrine of inequitable conduct in patent cases). It is this judicially developed standard that the Federal Circuit applied below to review the district court's ruling that Elk had committed inequitable conduct. (Elk Appendix A, pp. 7-9).

C. *PTO Rule 56 Does Not Bind The Federal Courts.* Over the years, the PTO has attempted to fashion rules as guidelines to patent applicants about what the PTO believes to be the standards by which the federal courts determine whether an applicant has violated the duty of candor and good faith. Significantly, however, the rules adopted by the PTO regarding an applicant's duty of candor and good faith are based upon the judicially developed doctrine of inequitable conduct, not a federal statute.

Indeed, in its rulemaking efforts, the PTO has repeatedly made clear that Rule 56 is the PTO's interpretation of

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enforcement of a patent that had been obtained by fraud on the PTO may violate the antitrust laws. *See Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 175-77, 86 S.Ct. 347, 349-50, 15 L.Ed.2d 247 (1965).

the *case law* regarding the judicial doctrine of inequitable conduct. For example, in 1977, the PTO amended the language of Rule 56 to expressly identify an applicant's duty of candor and good faith to the PTO. 37 C.F.R. § 1.56(a) (1991). The PTO stated that the rule "codifies the existing Office policy on fraud and inequitable conduct, which is believed to be consistent with the prevailing case law in the federal courts." 42 Fed. Reg. 5588, 5589 (1977). The amendment of Rule 56 in 1977 was intended by the PTO to help patent applicants understand their obligations under "the judicially developed doctrines concerning fraud." *Id.*

The PTO further amended Rule 56 in 1992 in an attempt to "provide greater clarity" (in the PTO's view) to an applicant's duty to disclose material information to the PTO. *See* 37 C.F.R. § 1.56 (1998). In doing so, the PTO emphasized that the applicant's duty of candor and good faith is broader than the duty to disclose material information, as defined by the PTO. *See* 57 Fed. Reg. 2021, 2022 (1992); MANUAL OF PATENT EXAMINING PROCEDURE (hereinafter "MPEP") § 2001.04 (7th ed., July 1998). (Appendix 5, p. 53). The PTO also stated that Rule 56 does "not define fraud or inequitable conduct which have elements both of materiality and of intent." 57 Fed. Reg. at 2024.

Not surprisingly, in fashioning its rules regarding an applicant's duty of candor and good faith, the PTO has made it clear that the ultimate determination of whether a party has violated its duty of candor and good faith to the PTO lies with the courts, not with the PTO:

> [I]t is the courts and not the Office that are in the best position to fashion an equitable remedy

> to fit the precise facts in those cases where inequitable conduct is established. Furthermore, inequitable conduct is not set by statute as a criteria for patentability but rather is a judicial application of the doctrine of unclean hands which is appropriate to be handled by the courts rather than by an administrative agency. . . . Office determinations [of inequitable conduct] generally will not deter subsequent litigation of the same issue in the courts on appeal or in separate litigation.

See MPEP § 2010. (Appendix 5, p. 58). Thus, the PTO recognizes that Rule 56 is not premised on a statute and is not binding upon the courts.[15]

Elk ignores the critical fact that Rule 56 is *not* an agency interpretation of a federal statute. Rather, as the PTO has recognized in its rulemaking process, Rule 56 is simply an attempt to provide guidelines to inventors to help them avoid the judicial doctrine of inequitable conduct developed by the federal courts. *See* MPEP § 2010 (Appendix 5, pp. 57-59). Elk's assertion that the PTO's

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[15] Even the Commissioner of Patents at the time Rule 56 was amended in 1992 recognized that the rule is not binding upon the courts. *See* Harry F. Manbeck, Jr., *The Evolution and Issue of New Rule 56*, 20 AIPLA Q.J. 136, 143 (1992) ("Only time will tell what the courts will do with the rule – whether they will follow it or not in considering questions of unenforceability. But in any case, we tried and if real problems remain, perhaps some future Commissioner will be able to guide the PTO in correcting them."); *see also* Robert L. Baechtold, *I'm Just Wild About Harry*, 20 AIPLA Q.J. 185, 190 (1992) ("The PTO certainly has the power to set and change its procedures . . . but, if old Rule 56 correctly reflects the substantive law on materiality established by caselaw, the Commission cannot modify it by rule-making.")

interpretation of a judicial doctrine is binding upon the courts is simply incorrect. *See, e.g., United States v. Morton*, 467 U.S. 822, 834, 104 S.Ct. 2769, 2776, 81 L.Ed.2d 680 (1984) (regulations are given controlling weight where Congress explicitly delegated authority to construe a *specific statute* by regulation). Accordingly, there is no conflict between the PTO and Federal Circuit to be resolved by the Supreme Court.

3. The Federal Circuit Correctly Applied The Old Rule 56, Which Was In Effect When Elk's Patent Application Was Filed.

Even assuming, *arguendo*, that the 1992 amendment of Rule 56 changed the standard of "material" information for an applicant's duty of disclosure, the pre-1992 standard would apply in this case. Elk filed its patent application and made its prior art disclosure on September 16, 1991, long before the effective date of the rule change, March 16, 1992.[16] (Trial Exhibit PX2). Thus, Elk's wrongful conduct occurred at a time when the PTO's "pre-1992" materiality standard was in effect. *Molins PLC v. Textron, Inc.*, 48 F.3d at 1179 n.8 (Fed. Cir. 1995).

As a result, this case presents a unique fact situation where the Rules of the PTO were amended during the prosecution of the patent in suit. Even if an issue exists concerning the force and effect of the Amended Rule 56, the appropriate case in which to consider that issue is one where the patent in suit was filed and prosecuted entirely after March 16, 1992, the effective date of the amendment.

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[16] *See* 57 Fed. Reg. 2021.

A hybrid case such as this, involving conduct both before and after the amendment to Rule 56, does not squarely present the issue to the Court and, therefore, provides no guidance to future litigants, but deals with a limited fact situation of interest only to the current litigants.

4. The Result In This Case Would Not Change Because Elk's Conduct Contravenes Both Versions Of Rule 56.

A. *Introduction.* Elk contends that the result in this case would change if Amended Rule 56 were applied, arguing that Bettoli, viewed in a vacuum, does not create a "prima facie case of unpatentability" (Petition p. 23). In advancing this argument, Elk fails to appreciate that the District Court, whose judgment was affirmed by the Federal Circuit, applied Amended Rule 56 in finding the withheld art material, and Elk fails to consider (i) the entirety of Amended Rule 56, (ii) the other art Elk failed to disclose to the PTO, and (iii) that, to overcome the PTO's initial rejection, Elk made arguments that could not have been made had Elk disclosed all material prior art. The fact-intensive determinations of the District Court were correct.[17] That this was a fact-intensive appeal governed by an abuse of discretion standard, where the District Court was affirmed by a unanimous Court of

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[17] Elk almost completely ignores all of these findings, except the finding that Bettoli was material prior art. There is no discussion in the Petition regarding Elk's deceptive arguments to overcome the initial rejection by the PTO, no mention of the GS High Sierra shingle, and only passing reference to the Giles Patent.

Appeals, makes this a particularly inappropriate case for Supreme Court review. *United States v. Johnston*, 268 U.S. 220, 227, 45 S.Ct. 496, 497, 69 L.Ed. 925 (1925) ("We do not grant certiorari to review evidence and discuss specific facts"); *Graver Tank & Mfg. v. Linde Air Prod. Co.*, 336 U.S. 271, 275, 69 S.Ct. 535, 538, 93 L.Ed. 672 (1949) (Supreme Court "cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional show of error."). Moreover, Amended Rule 56 – even if applicable in this case – makes no significant change in the standard of materiality to be applied but, instead, was intended to clarify the standard. Certainly on the facts of this case, the result would not change using any materiality test because the art withheld by Elk was not marginally material, but was "highly material" in the view of both the District Court – which explicitly relied upon Amended Rule 56 – and the unanimous Federal Circuit.

B. *Bettoli And Elk's Deceptive Arguments.* As the Federal Circuit recognized, the record contains overwhelming evidence of the "high level of materiality" of Bettoli and the inventor's own appreciation of that materiality. It is undisputed that Bettoli was the starting point for the invention Elk claimed in the '144 Design Patent, and the claimed invention is identical to Bettoli except for the addition of color striations to the backer sheet. (A04272-81). This is significant both as a matter of common sense and because the Federal Circuit has previously found withheld art to be material where it was the basis, or starting point, for the claimed invention. *See, e.g., Baxter Int'l v. McGaw, Inc.*, 149 F.3d 1321, 1329 (Fed. Cir. 1998).

That Bettoli is material, particularly under Amended Rule 56, is shown by the events occurring during the prosecution of the '144 Design Patent. The District Court's factual finding that Elk made arguments in overcoming the PTO's rejection during the '144 Design Patent prosecution, which could not have been made had Bettoli and Giles been disclosed (Elk Appendix B, p. 34), is significant for two reasons. First, this deceptive conduct was an independent basis for the District Court's finding of inequitable conduct that is not addressed in any way by Elk's Petition. Second, this type of deceptive conduct falls squarely within the second part of Amended Rule 56, which provides that information is material if "it refutes, or is inconsistent with, a position the applicant takes in (i) opposing an argument of unpatentability relied on by the Office, or (ii) asserting an argument of patentability." 37 C.F.R. § 1.56(b)(2). The configuration of Elk's design and the Bettoli Patent were identical and, therefore, had Bettoli been disclosed, Elk could not have made the arguments it advanced to overcome the PTO's rejection. Thus, Bettoli "refutes, or is inconsistent with, a position [Elk] took in opposing an argument of unpatentability relied on by the Office."

The materiality of Bettoli was also confirmed during the prosecution of Elk's related utility patent application, which Elk acknowledged covered the same design claimed in the '144 Design Patent. (A00849-50). The PTO's reliance on Bettoli in conjunction with Giles as the basis for a rejection of the utility patent application establishes that Bettoli meets the first test of materiality under Amended Rule 56, *i.e.*, Bettoli "establishes by itself or in conjunction with other information [*i.e.*, Giles], a prima

facie case of unpatentability." *See also J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1564 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985) (holding that art was material where it was the basis of rejection in a subsequent proceeding regarding same invention). Thus, under the explicit provisions of Amended Rule 56, the materiality of Bettoli and the impropriety of Elk's arguments to the PTO is plain.

C. *Giles.* There is equally compelling evidence that the District Court's determination and the Federal Circuit's explicit recognition that Giles was material prior art is factually correct under any conceivable standard for materiality. In its Petition, Elk's discussion of Giles is limited to a conclusory statement in a footnote, without any explanation.

The most damning evidence of Giles' materiality is that the inventors themselves considered it material, as evidenced by the memo inventor Weaver wrote to inventor Kiik noting that Giles was "of special interest" because it used coloration from dark to light "to create an illusion of depth." (Appendix 1). Because this was precisely the effect Elk was seeking to accomplish, the PTO initially rejected the utility patent application on the ground that Giles alone – not in combination with any other prior art – rendered the patent obvious.

The materiality of Giles is also demonstrated by the PTO's subsequent rejection of the utility patent application as obvious in view of Bettoli in conjunction with Giles, and by a visual combination of Bettoli and Giles.

When the dragon teeth from a Bettoli shingle are overlayed onto the drawings from the Giles Patent, the result is nearly identical to the drawings in the '144 Design Patent. (Appendix 6). This drawing, as well as the PTO's rejection of the utility patent application, first on the basis of Giles and then on the basis of Bettoli in combination with Giles, confirms that Giles is material under Amended Rule 56 or any other test for materiality.

D. *GS High Sierra.* The last piece of prior art that was a basis of the District Court's finding of inequitable conduct, the GS High Sierra shingle, receives no mention from Elk in its Petition. Perhaps this is because it is the single piece of prior art that combined a laminated shingle and the color striations utilized by Elk.

Unlike any of the prior art disclosed by Elk to the PTO, the GS High Sierra shingle is a laminated shingle with a color contrast on the backer sheet, consisting of a dark striation at the upper portion of the exposed part of the backer strip, and a lighter shade of the same color on the remaining portion of the backer strip. (A07696-7). At trial, inventor Weaver admitted that if a light color striation were added at the bottom of the exposed portion of the GS High Sierra backer sheet, the result would be the very design claimed by Elk. (A00709).

E. *Conclusion.* Contrary to Elk's assertions, the prior art withheld by Elk was material by any standard. Thus, the application of Amended Rule 56 to this case would not change its result, and there is no need to expend the Supreme Court's resources on the fact intensive issues in the case.

CONCLUSION

For the foregoing reasons, Elk's Petition for Certiorari should be denied.

Respectfully submitted,

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Counsel for Respondents

August 16, 1999

APPENDIX 1

MEMORANDUM

cc: Bob Pine

TO: Mike Kiik

FROM: Paul Weaver

DATE: July 23, 1991

SUBJECT: Striation (High Definition) Patentability Search

Enclosed please find the results of our initial patentability search for our H.D. product. As noted in Fred Bergert's cover letter, no patent was found that utilizes a granule application that attempts to create the illusion of depth using three bands of differing contrast or value.

Of special interest was the Giles patent (1936) which disclosed the use of a highlighted "leading edge" to create an illusion of depth and a CertainTeed patent (1990) which attempts the same. Using an intermittent shadow line placed high in the exposure.

Also enclosed is the correspondence between C-T and the patent office regarding their design patent. This was added at my request because this patent has not expired.

I have not pursued an opinion from our attorney on the patentability of our H.D. product, but it is my feeling that we should strongly consider applying for a patent. After all, if C-T can get a patent for a shingle that looks like a combination of a previously patented laminated shingle and a "used by almost everybody" shadow line, anything is possible.

If you wish me to proceed with a patent application let me know.

PW:sl

encl.

Confidential Attorneys Eyes Only PRIV-001-0756

EXHIBIT 89

APPENDIX 2

CONFIDENTIAL

PETITION BY APPELLANT FOR REHEARING AND SUGGESTION FOR REHEARING *IN BANC*

In The
United States Court of Appeals
For the Federal Circuit

Appeal No. 98-1369

Elk Corporation of Dallas,
Plaintiff-Appellant,

-v.-

GAF Building Materials Corporation,
Building Materials Corporation of America,
Building Materials Corporation of America d/b/a
GAF Materials Corporation, and
GAF Materials Corporation,
Defendants-Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS IN 94-CV-249, JUDGE JORGE A. SOLIS

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Dated: February 25, 1999

CERTIFICATE OF INTEREST

Pursuant to Rule 47.4 of the Rules of Practice before the United States Court of Appeals for the Federal Circuit, counsel for Plaintiff-Appellant Elk Corporation of Dallas hereby affirms the following:

1. Elk Corporation of Dallas is the full name of the sole Plaintiff-Appellant.

2. Elk Corporation of Dallas is the real party in interest in this Appeal.

3. Elk Corporation of Dallas is a wholly-owned subsidiary of Elcor Corporation. Elcor Corporation has issued shares to the public, and is the only parent, subsidiary or affiliate of Elk Corporation of Dallas to have done so.

4. The names of all law firms and the partners and associates that appeared for Elk Corporation of Dallas in the trial court or are expected to appear in this court are:

a. Larry D. Carlson, Peter A. Moir and David G. Wille of Baker & Botts, L.L.P.; and

b. Arthur S. Tenser, Robert Neuner, John D. Murnane, and Neil P. Sirota, of Brumbaugh,

Graves, Donohue & Raymond. Brumbaugh, Graves merged with Baker & Botts, L.L.P. in November, 1997.

Dated: February 24, 1999

Respectfully submitted,

/s/ John D. Murnane
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TABLE OF CONTENTS

PAGE

CERTIFICATE OF INTEREST.....i

TABLE OF AUTHORITIES iv

REQUIRED STATEMENTS FOR REHEARING IN BANC..... v

I. THE POINTS OF LAW AND FACT OVERLOOKED OR MISAPPREHENDED BY THE PANEL OF THE COURT 1

A. The Panel Misapprehended The Point Of Novelty Of Elk's Claimed Invention, Against Which Materiality Is To Be Judged 1

B. The Panel Misapprehended Inventor Weaver's Statement Regarding The Uncited Bettoli Patent 2

C. The Panel Misapprehended The Disclosure Of The Cited Morgan Patent – It Is A Laminated Shingle, Not A single-Ply Shingle... 3

D. The Panel Overlooked The Fact That Attorney Van Winkle Had Cited A Disclosure Of A Bettoli Shingle To The Examiner During Prosecution Of The Patent In Suit 5

E. The Panel Overlooked Inventor Weaver's Comments And Other Facts Regarding the Noone Patent 5

F. The Panel Overlooked Extensive Evidence Of Good Faith On The Part Of Elk. The Inventors And Their Attorneys 5

II. ARGUMENT IN SUPPORT OF THE PETITION FOR REHEARING 7

A. The Materiality And Intent Analysis Must Relate To The Claimed Invention 7

B. Elk's Good Faith In Its Citation of Prior Art To The Examiner 9

III. ARGUMENT IN SUPPORT OF THE SUGGESTION FOR REHEARING IN BANC 13

V. CONCLUSION 15

TABLE OF AUTHORITIES

CASES

Akron Polymer Container Corp. v. Exxel Container, Inc., 148 F.3d 1380, 47 U.S.P.Q.2d (BNA) 1533 (Fed. Cir. 1998).....9, 14

FMC Corp. v. Manitowoc Co., Inc., 835 F.2d 141, 5 U.S.P.Q.2d (BNA) 1112 (Fed. Cir. 1987).....11, 13

Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., 162 F.3d 1113 (Fed. Cir. 1998).....7, 14

Halliburton Co. v. Schlumberger Technology Corp., 925 F.2d 1435, 17 U.S.P.Q.2d (BNA) 1834 (Fed. Cir. 1991) 13

Hupp v. Siroflex of Am. Inc., 122 F.3d 1456, 43 U.S.P.Q.2d (BNA) 1887 (Fed. Cir. 1997)..... 14

Kimberly-Clark Corp. v. Johnson & Johnson, 745 F.2d 1437, 223 U.S.P.Q. (BNA) 603 (Fed. Cir. 1984) 13

Kingsdown Medical Consultants, Ltd. v. Hollister, Inc., 863 F.2d 867, 9 U.S.P.Q.2d (BNA) 1384 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989) 9, 14

Sensonics Inc. v. Aerosonic Corp., 81 F.3d 1566, 38 U.S.P.Q.2d (BNA) 1551 (Fed. Cir. 1996)..... 11

Unidynamics Corp. v. Automatic Prods. Int'l., 157 F.3d 1311, 48 U.S.P.Q.2d (BNA) 1099 (Fed. Cir. 1998).....7, 13

FEDERAL RULES

37 C.F.R. § 1.153.....2, 7

MISCELLANEOUS

MPEP § 1503.01 .....2, 7

REQUIRED STATEMENTS FOR REHEARING IN BANC

Based on my reasoned and studied professional judgment, I believe the panel decision is contrary to the following precedents of this Court:

Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., 162 F.3d 1113 (Fed. Cir. 1998);

Unidynamics Corp. v. Automatic Prods Int'l., 157 F.3d 1311, 48 U.S.P.Q.2d (BNA) 1099 (Fed. Cir. 1998);

Akron Polymer Container Corp. v. Exxel Container Inc., 148 F.3d 1380, 47 U.S.P.Q.2d (BNA) 153 (Fed. Cir. 1998);

Hupp v. Siroflex of Am., Inc., 122 F.3d 1456, 43 U.S.P.Q.2d (BNA) 1887 (Fed. Cir. 1997);

Halliburton Co. v. Schlumberger Technology Corp., 925 F.2d 1435, 17 U.S.P.Q.2d (BNA) 1834 (Fed. Cir. 1991);

Kingsdown Medical Consultants, Ltd. v. Hollister, Inc., 863 F.2d 867, 9 U.S.P.Q.2d (BNA) 1384 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989); and

Kimberly-Clark Corp. v. Johnson & Johnson, 745 F.2d 1437, 223 U.S.P.Q. (BNA) 603 (Fed. Cir. 1984).

Based on my reasoned and studied professional judgment, I also believe this appeal requires answers to the following questions of exceptional importance:

1. May a panel of this Court, which has not construed the claim of the patent in suit, hold that material art has been inequitably withheld form the United States Patent and Trademark Office?

2. Must a panel of this Court, which deems uncited art to have "a high level of materiality", weigh all the evidence, including evidence of good faith, when determining whether intent to deceive has been proved by clear and convincing evidence?

/s/ John D. Murnane
John D. Murnane
Attorney of Record for
Plaintiff-Appellant Elk

PETITION BY APPELLANT FOR REHEARING AND SUGGESTION FOR REHEARING IN BANC

Plaintiff-Appellant, Elk Corporation of Dallas ("Elk"), petitions for rehearing of the February 11, 1999 panel decision which affirmed the trial court's judgment of unenforceability of Elk's U.S. Patent No. Des. 344,144 ("the '144 patent"), and suggests that the rehearing be in banc. A rehearing is appropriate and just in this case because the panel confused the invention of the '144 patent was an unrelated Elk invention, misinterpreted critical cited and uncited prior art and overlooked important facts. As a result, the panel did not construe the '144 patent claim and did not fully consider the issue of intent or the wealth of evidence presented by Elk establishing its good faith.

I. THE POINTS OF LAW AND FACT OVERLOOKED OR MISAPPREHENDED BY THE PANEL OF THE COURT

A. The Panel Misapprehended The Point Of Novelty Of Elk's Claimed Invention, Against Which Materiality Is To Be Judged

The panel opined that Elk's invention is "a two-ply, composite roofing shingle based on the Bettoli patent that utilized striations of shading to simulate the appearance of slate shingles" (Op. p. 2) where the "striations appear to blend into each other across a simulated shingle" (Op. p. 7). In doing so, **THE PANEL DID NOT CONSTRUE THE '144 PATENT CLAIM BUT INSTEAD CREATED AN AMALGAM OF TWO DISTINCT ELK INVENTIONS, ONE OF WHICH NEVER WAS A PART OF THIS CASE.** As clearly stated in inventor Weaver's letter requesting a search, he was providing "a description of two (2) shingle products which we plan to introduce." (A04844). With respect to "PRODUCT NO. 1", Mr. Weaver described and provided a sketch of Elk's Tuscaloosa T-3 product (hereinafter "T-3") in which Elk "tries to simulate the appearance of slate, not wood shingles." (A04845-46). That is **NOT** the invention in suit. On pages A04847-8, Mr. Weaver described and depicted "PRODUCT NO. 2: 'STRIATION' ", noting that the

> "uniqueness of this product is in regard to the application of different color granules, as shown in the enclosed sketch. The bands of dark, medium, and light granules simulate shadows and highlights, thus giving the shingle an enhanced allusion [sic] of depth."

Such "[s]triation" is essential to the invention at issue in this case. Moreover, the '144 patent drawings show that the striations of color, visible on the backer strip of a real laminated shingle, are interrupted by tabs of relatively uniform color. (A02046-47). That is the invention of the '144 patent.

The panel's flawed interpretation of Elk's invention stemmed from its overlooking: (1) 37 C.F.R. § 1.153 and Manual of Patent Examining Procedure ("MPEP") § 1503.01 (Addendum); (2) the '144 patent application's title of the design, claim and drawings (A02053-60); (3) the Amendment that explained in detail the point of novelty of Elk's invention (A02116-21); (4) the laminated shingle claims 4, 7, 9 and 10 which Mr. Felger filed in Elk's co-pending continuation-in-part utility patent application which confirmed the point of novelty as providing relatively uniform color to the tabs of the laminated shingle and a color gradient on the second shingle sheet between the tabs (A03303-05); and (5) the district court's Order construing the '144 patent's claim which is incongruous with its decision (and the panel's affirmance) on inequitable conduct. (A06310, 14)

B. The Panel Misapprehended Inventor Weaver's Statement Regarding The Uncited Bettoli Patent

In upholding "the district court's findings of the high level of materiality of the Bettoli patent and the applicants' knowledge of that materiality", the panel noted "that Mr. Weaver's letter, requesting a search report, revealed that the applicants knew that the new shingle was very similar to the shingle disclosed in the Bettoli

patent." Op. p. 8. On pages 2-3 of the Opinion, the panel wrote, "In his letter requesting the search, Mr. Weaver acknowledged the similarity of the new design to the shingles disclosed in the Bettoli patent:

> The enclosed sketch describes this [new] product's appearance. This shingle's construction is similar to the one described in Bettoli's patent No. 3,921,358 which is also enclosed.

BUT THE QUOTED LANGUAGE ON WHICH THE PANEL RELIED REFERS TO THE T-3 SHINGLE, NOT THE STRIATION INVENTION IN SUIT. (A04845). Mr. Weaver did not mention the Bettoli patent with respect to the invention in suit. Rather, he wrote, "several of our competitors use a black or dark shadow line, but we know of no one using a shadow and highlight lines." (A04847). The cited Noone patent used a shadow line. (A02159-70).

C. The Panel Misapprehended The Disclosure Of The Cited Morgan Patent – It Is A Laminated Shingle. Not A Single-Ply Shingle

The panel ruled that "the district court did not clearly err in finding that the Bettoli patent was the most material prior art and that the Bettoli patent was not cumulative of the Morgan and Noone patents which were cited to the PTO" "because the design claimed in the '144 patent is for a two-ply, composite shingle, not a single-ply, strip shingle." Op. p. 7. The panel had found that "the Morgan patent, which predates the Bettoli patent, discloses a different type of shingle, a single-ply, strip

shingle, [rather] than the two ply, composite shingle disclosed in the Bettoli patent." Op. p. 6. **BUT THE MORGAN PATENT INDISPUTABLY DESCRIBES AND CLAIMS A LAMINATED SHINGLE WHICH IS SO SIMILAR TO THE BETTOLI SHINGLE THAT BETTOLI SOUGHT TO PROVOKE AN INTERFERENCE WITH THE MORGAN PATENT.** (A02383).

Contrary to the panel's Opinion, Morgan did not predate Bettoli. Two Morgan patent applications were filed in 1970 and both patents issued in 1971. (A02174-85, 4807-21). GAF has correctly observed that the two Morgan patents, U.S. Patent Nos. 3,613,238 and 3,624,975, differ "only in the relative dimensions of the [tab] sheet and the [backer] strip." (A02389). The Bettoli application was filed in 1967 and issued in 1975. (A04272). The Bettoli shingle had been commercially successful since 1968. (A02397). Morgan modified the laminated shingle to provide an "extended lower portion of the tab [to] form an overhung ledge that casts a natural shadow beneath and along the upper edge of the underlying course of shingles." (A02181, col. 5 lines 61-64). The pertinence of the Examiner's citation of Morgan during the prosecution of Elk's '144 patent was confirmed in detail during the prosecution of Elk's continuation-in-part utility application (A03348-50) where the Examiner rejected Elk's laminated shingle claims in view of Morgan, noting:

> Morgan ('328) discloses a rectangular, laminated shingle with a weather surface defined by a first shingle sheet or portion and a second sheet or portion. The first sheet has a plurality of tabs and openings integral therewith, the tabs and openings varying dimensionally with respect to each other. The second sheet is connected to the

> first sheet such that portions of the second sheet are exposed via the openings of the first sheet, completing the weather surface. The first sheet is covered in a layer of mineral granules that are unitary in color, while the second sheet is covered in mineral granules that define a color gradient or blend, which gives the shingle an appearance of depth due to the light and dark sections of the blend. Variations in color exist on the shingle between the adjacent tabs. However, there is no specific mention of forming the blend with striations. . . . Morgan ('975) discloses a similar laminated shingle, complete with color blends. Morgan ('975) also states the use of texturing the second sheet with narrow, closely-spaced vertical lines (while keeping the tab sections unitary) to enhance the depth appearance of the shingle. Refer to column 8, lines 23-46. These vertical lines are considered to be striations. It would have been obvious to one of the ordinary skill in the art to use striations (as taught by Morgan '975) for the color blend on the second sheet of Morgan ('328), since color blends are considered to form definite "striations" or regions where colors slowly blend from a light shade to a dark shade.

D. The Panel Overlooked The Fact That Attorney VanWinkle Had Cited A Disclosure Of A Bettoli Shingle To The Examiner During Prosecution Of The Patent In Suit

The panel noted that "many manufacturers, including Elk" had been licensed under the Bettoli patent to manufacture and sell two-ply, composite roofing shingles; but the panel overlooked the fact that **Elk disclosed to the PTO** during the prosecution of the '144 patent **one of**

those shingles. Johns-Manville's Woodlands laminated shingle, which is the Bettoli shingle. (A02172, 2699, 3604-06).

E. The Panel Overlooked Inventor Weaver's Comments And Other Facts Regarding The Noone Patent

The panel observed that inventor Weaver, after reviewing the search report, characterized the Giles patent as "[o]f special interest." But the panel overlooked the facts that:(1) **Mr. Weaver was writing about two references, the other reference being the disclosed Noone design patent,** and that was the patent he emphasized (A04393); (2) the owner of the Noone patent, **CertainTeed, asserted the Noone patent against Elk's shingle at issue** while Elk was preparing the application for the patent in suit (A02858); (3) while attorney VanWinkle was preparing the application, he was also preparing an opinion for Elk concerning CertainTeed's infringement allegation (A01364-66, 2862-63); and (4) **GAF stopped making its Bettoli laminated shingle with a shadow line on the top of the backer strip in between the tabs for fear of infringing the Noone patent.** (A03801-04, 3816, 2868-69, 3942-45, 4073-75, 3890-92).

F. The Panel Overlooked Extensive Evidence Of Good Faith On The Part Of Elk, The Inventors And Their Attorneys

The panel found that the Bettoli and Giles patents "were never disclosed to the PTO despite the fact that it was the standard practice of the patent attorney who

completed the prosecution of the '144 patent to disclose all of the prior art cited in a search report." Op. p. 3. But the panel overlooked the facts that: (1) the attorney, **Mr. Felger, never saw the search report** until discovery in this litigation (A01619-22); (2) **Mr. Felger disclosed the Bettoli patent to the PTO twice in the co-pending utility case** (A03292; A03319-20) shortly after he learned of its existence (A01826-27, 1706-07, 1709-11); (3) **Mr. Felger did not learn of the Giles patent until after the '144 patent issued, and then he immediately disclosed it to the PTO** in the utility application on March 23, 1994 (A03326-27); and (4) **Mr. VanWinkle (the first attorney) who had disclosed the Woodlands (Bettoli) shingle in the '144 application, disclosed the Bettoli patent to the same Examiner in a co-pending application** on Elk's T-3 shingle. (A01503-04).

The panel noted that "[i]nformation is 'material' when there is a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent." Op. p. 6. The panel overlooked, however, that **the continuation-in-part application's Examiner, fully aware of Bettoli and Giles, cited Morgan but not Bettoli or Giles** against Elk's laminated shingle claims in the first office action. (A03331-33, A03346-50).

The panel noted the district court considered that "the testimony of the prosecution attorney indicated that there was a strong likelihood the prosecuting attorney also knew of the materiality of the Bettoli patent." Op. p. 8. We were unable to locate such a finding in the district court's decision. On pages A00022-23, the district court related at length Mr. Felger's testimony. As noted *supra*

page 6, Mr. Felger did not learn of Bettoli until the last weeks of prosecution of the '144 patent application. During that time **he told GAF** about its laminated shingle patent while discussing GAF's declaratory judgment contentions, and **he also advised the PTO** of the Bettoli patent in the specification and disclosure statement of the continuation-in-part application before the issuance of the '144 patent. (A01706-11, 1826-27). Those are not the actions of a man who is conspiring to conceal material art from the PTO.

The panel's discussion of the intent issue is found in but one paragraph on the last page of the Opinion. The panel noted that "this element of inequitable conduct must generally be inferred from the facts and circumstances surrounding the applicants' overall conduct" and "[i]n light of all the circumstances of the case." But neither the district court nor the panel addressed the wealth of evidence which demonstrated Elk's good faith.

II. ARGUMENT IN SUPPORT OF THE PETITION FOR REHEARING

A. The Materiality And Intent Analyses Must Relate To The Claimed Invention

In its briefs Elk repeatedly stressed that the district court had not focused on Elk's *claimed design invention* when assessing the cited and uncited prior art. In two recent cases, this Court considered the points of novelty of design inventions and uncited art in deciding allegations of inequitable conduct. *Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co.*, 162 F.3d 1113, 1118-22 (1998);

Unidynamics Corp. v. Automatic Prods. Int'l., 157 F.3d 1311, 1324, 48 U.S.P.Q.2d (BNA) 1099, 1107 (1998). This Court stated in *Goodyear*, "[t]he points of novelty relate to differences from prior designs, and are usually determinable based on the prosecution history." 162 F.3d at 1118. The point of novelty of Elk's invention is evident in the prosecution history of the '144 patent.

37 C.F.R. § 1.153 requires that "[t]he title of the design must designate the particular article." MPEP § 1503.01 provides that "[t]he title of the design identifies the article in which the design is embodied by the name generally known and used by the public . . . the language of the title and claim must correspond." Mr. VanWinkle understood that laminated shingles were old in the art (A01483) and he plainly indicated that in the design application he filed in 1991 that bears the title "LAMINATED SHINGLE" and claims "The ornamental design for LAMINATED SHINGLE as shown and described." (A02053-54). The drawings show a laminated shingle wherein the visible backer strip regions having three striations of color are interrupted by tabs having relatively uniform coloration. (A02059-60). By 1991, thirteen companies had sold in this country approximately 75 million squares of laminated shingles having a physical structure identical to the shingle depicted in Elk's drawing (A01599-1602), but none incorporated the '144 design invention.

In the 1993 office action, the Examiner rejected Elk's application in view of Morgan '975. Mr. Felger responded to the rejection as follows:

> Morgan, et al. teaches a laminated shingle which, when arranged on a roof, will achieve characteristic irregularities and shadow effects of a wood shingle roof (*See* Morgan, et al., Column 5, lines 45-49). The overlapping portion of the tab enhances this look of irregularity by casting a natural shadow "beneath and along the upper edge of the underlying course of shingles." (*See* Morgan et al., Column 5, lines 61-64). Thus, these overlapping tabs are required by the Morgan et al. shingle to give the desired irregular appearance. There is no teaching in Morgan et al. or the other references cited by the Examiner to use Applicants' striations to produce the allusion [sic] of depth.

(A02119). To emphasize that Elk had not altered the laminated shingle structure as Morgan had done. Mr. Felger stated that the invention was the "unique arrangement of color granules in three striations rather than modifying the physical structure of the shingle." (A02118). He further illustrated Elk's invention by presenting a side-by-side color photograph comparing Elk's claimed invention (on the right) and a standard laminated shingle (on the left). (A02199). Four months later, while drafting the co-pending continuation-in-part application laminated shingle claims. Mr. Felger contrasted the "tab having a relatively uniform color; and the color gradient disposed on the second shingle sheet between the tabs." (A03303-05).

How is the point of novelty of Elk's claimed invention to be determined in relation to the Bettoli patent which discloses a laminated shingle? Guidance is provided in the '144 patent's prosecution history that was summarized by district court in its Order Re: Construction of Patent Claims (A06297-6314):

- As noted in the discussion of the '929 patent, laminated shingles were well known and widely used in the industry by 1991.
- In its amendment to the application filed in September 1993, Elk identified the novel feature of its design as the addition of "three striations rather than modifying the physical structure of the shingles."
- It is also apparent that the PTO examiner was aware of the claimed novel feature of the application even before the filing of the [September 1993] amendment.
- It is thus apparent that the examiner understood the application was not claiming the entire shingle and understood the claimed novel feature of the application.

(A06310). The answer to the question posed above is, therefore, that the Bettoli *patent* is superfluous, because the laminated shingle itself had been disclosed in the patent (Fig. 1) and acknowledged in the claim to be prior art. The panel's Opinion does not mention the district court's claim construction.

B. Elk's Good Faith In Its Citation Of Prior Art To The Examiner

The foregoing misapprehensions and overlooked crucial facts indicate that the panel, in arriving at its inference concerning intent, virtually ignored the extensive evidence of good faith submitted by Elk. But evidence of good faith must be considered in determining whether or not inequitable conduct occurred, *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876,

9 U.S.P.Q.2d (BNA) 1384, 1392 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989), even if highly material art had been withheld. *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1384, 47 U.S.P.Q.2d (BNA) 1533, 1536 (Fed. Cir. 1998).

The panel incorrectly opined that Elk's invention simulated the appearance of slate shingles (which are Elk's different T-3 invention) and overlooked the facts that (a) Mr. Weaver's memo regarding the search report stated that both Giles **and Noone** were of special interest, then focused exclusively on the Noone design patent, noting that a copy of the file history had been ordered (A04393), (b) just prior to the preparation of the '144 application. CertainTeed wrote to Elk stating that Elk's inventive laminated shingle infringed the Noone patent (A02858, 01021, 01090-91, 01587-88), (c) while preparing the '144 patent application. Mr. Van Winkle worked on an opinion concerning CertainTeed's allegation (A02862-63) and (d) GAF stopped making and selling its Bettoli laminated shingle with a shadowline on the backer sheet for fear of infringing the Noone patent. (A03801-04, 03816, 02868-69, 03942-45, 04073-75, 03891-92). GAF continued, however, to manufacture a strip shingle bearing a continuous shadow line not interrupted by tabs. (A03816-17).

The panel also overlooked Elk's views of the Noone shingle itself. In 1991, Elk personnel were excited about their invention because it created the illusion of depth, something for which manufacturers had been striving for generations. Noone had made some progress with the Horizon Shangle; compare the CertainTeed brochure showing the Noone shingle (A02877) with the GAF brochure presenting the Bettoli shingle (A06318, right side).

Note that GAF touts the "dimensional" appearance of its shingle and that CertainTeed states that its shingle has "a luxurious dimensional appearance." (A02876). Observe that the Noone shingle looks better and presents an appearance of greater depth than the standard Bettoli laminate. Mr. VanWinkle viewed those Noone shingles while preparing the '144 patent application and the disclosure statement (A01522).

The foregoing overlooked evidence clearly corroborates the credibility of the inventors' and attorneys' testimony that they truly regarded the Noone patent as the most pertinent art. Their good faith in this belief is further supported by evidence demonstrating that not only the applicants and their counsel, but the PTO and GAF as well did not regard Bettoli and Giles as material to the design invention of the patent in suit. Knowledge of materiality is a necessary element of inequitable conduct. *FMC Corp. v. Manitowoc Co., Inc.*, 835 F.2d 1411, 1415, 5 U.S.P.Q.2d (BNA) 1112, 1115 (Fed. Cir. 1987).

Mr. Weaver thought that the Bettoli patent was pertinent to the T-3 invention, **not** the striation invention, and that is what he advised the search firm. Mr. VanWinkle agreed, and so he cited Bettoli to the same Examiner in the co-pending T-3 application (A01503-04) while not citing it in the '144 patent application. Mr. Felger did not learn of Bettoli until weeks before the issuance of the '144 patent. During that period he met with representatives of GAF who had sued Elk seeking a declaratory judgment of invalidity of the soon-to-issue patent. (A01706-07; A04318). GAF contended then that Elk's patent would be invalid in view of the Fire-Chex strip shingle having light coloring at the top and dark coloring at the bottom.

(A01706-07). GAF did not mention its Bettoli-type shingle products or its strip shingle having Giles-type coloration. (A01727, 2718, 3784-87). GAF's prior conduct with respect to that art should have "weigh[ed] heavily against its argument" that the art "was material." *Sensonics Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1570-71, 38 U.S.P.Q.2d (BNA) 1551, 1554-55 (Fed. Cir. 1996). **Mr. Felger** mentioned GAF's laminated shingle patent at the meting and he disclosed it to the PTO in Elk's co-pending continuation-in-part utility application. (A01706-11:01826-27, 03292, 3320). On March 23, 1994, Mr. Felger promptly cited Giles (A03326-27). The utility application's Examiner did not cite Bettoli or Giles against a single laminated shingle claim until later in the prosecution when advised of GAF's May 1994 contentions. (A03346-47, 6496).

The panel also overlooked the Johns-Manville Woodlands brochure pages (1982 Sweets Catalog File) which Mr. VanWinkle cited to the Examiner that characterize the product as "heavyweight, three-dimensional shingles." (A02172: see also, A0636, 769, 819). Elk was well aware of the Woodlands Bettoli-type laminated shingle; indeed, Johns-Manville had made them for Elk on a "private-label" basis. (A01068-69). Mr. VanWinkle had been given a copy of the Noone patent file history by Elk and decided to disclose in the '144 patent application all the art, including Woodlands, which had been cited against Noone. (A01397, 1411-12). Had Mr. VanWinkle intended to conceal the Bettoli shingle from the '144 patent Examiners, his citation of Woodlands in 1991 would have been reckless. That is because the Noone file history shows

that one year earlier, the PTO Board of Appeals, in reversing the same two Examiners' rejection of the Noone design application, wrote that Noone's "stripes" "simulate the shadow of an overlying shingle" and that the "simulated-shadow stripes are of variable width and position so that they will match the pattern of an overlying shingle." (A06275). The Board distinguished Manville's Woodlands, which had been cited against Noone, noting that *"the shadows formed by the upper shingles are real, not simulated.* Therefore, prior to installation, there would be no simulated shadow stripes on the shingle." (A06276, emphasis in original).

The Board's decision corroborates Elk's witnesses' testimony that they disclosed to the PTO a simulated laminated shingle (Noone) and a laminated shingle (Woodlands). (A0610-11, 904, 3805-06; 639-40, 642, 644, 646-47, 763-69). Only a laminated shingle casts the actual shadows simulated by Noone. *Id.*

The Board's decision is also consistent with Elk's testimony that Noone is more pertinent than Giles. The point of novelty in Elk's claimed invention is not striations blending "into each other across a simulated shingle" to provide a slate-like appearance, as the panel has suggested (Op. pp. 2, 7). If that were Elk's invention, then Giles might indeed be material. But Elk's design point of novelty on the laminated shingle is three distinct striations of color interrupted by tabs of uniform color. In the prior art, only Noone's design had a zone with more than one color adjacent to a portion having uniform color (the raised tab) (A0790-91, 3913-15, 3920) and, as emphasized by the utility application's Examiner, Morgan discloses varying color on a backer strip interrupted by tabs in a

laminated shingle. (A03348-50). Elk's good faith is further evidenced by its citation of the Ritter patent which discloses applying texture to a shingle in parallel, spaced apart longitudinal lines of elevated units or patches to provide a rib effect and then covering those lines with granules of different colors. (A02105-06). Removal of the word "intermittently" from col. 2. line 53 (A02106) in Ritter yields Elk's precise means of depositing color granules.

Paul Weaver, Thomas Felger and Roy VanWinkle are cited in the panel's precedential Opinion affirming inequitable conduct. "To be guilty of inequitable conduct, one must have intended to act inequitably." *FMC Corp.*, 835 F.2d at 1415, 5 U.S.P.Q.2d at 1115. What is the clear and convincing evidence that any of these men intended to act inequitably? It does not exist!

III. ARGUMENT IN SUPPORT OF THE SUGGESTION FOR REHEARING IN BANC

The panel decision is contrary to the *Goodyear, Unidynamics, Halliburton Co. v. Schlumberger Technology Corp.*, 925 F.2d 1435, 17 U.S.P.Q.2d (BNA) 1834 (Fed. Cir. 1991), and *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 223 U.S.P.Q. (BNA) 603 (Fed. Cir. 1984), decisions of this Court because the panel did not assess the cited and uncited art in view of Elk's claimed invention, the point of novelty of Elk's design. Had the panel compared with the art Elk's laminated shingle, ornamented with a backer strip having three color striations interrupted by adjacent tabs of uniform color, the panel would have recognized

that the cited Noone patent was the most material reference, or at least that Elk's inventors and attorneys could believe so in good faith, and that Morgan is more pertinent than the uncited art.

The decision of the panel is also contrary to the *Goodyear, Akron Polymer* and *Kingsdown* decisions of this Court because the panel did not consider Elk's conduct in light of all the circumstances. "Both materiality and culpable intent are essential factual predicates of inequitable conduct, and each must be proved by clear and convincing evidence." *Goodyear,* 162 F.3d at 1122; *Kingsdown,* 863 F.2d at 872, 9 U.S.P.Q.2d at 1389. Based on its misunderstandings of fact, the panel believed that highly material art had been withheld and thus addressed the intent issue in less than one page, overlooking a wealth of evidence which demonstrated Elk's good faith. However, "[i]ntent is an independent element of inequitable conduct in patent prosecution and must be separately established." *Hupp v. Siroflex of Am. Inc.,* 122 F.3d 1456, 1465, 43 U.S.P.Q.2d (BNA) 1887, 1893 (Fed. Cir. 1997). Even if the uncited art had actually been highly material, the "governing law . . . includes a specific dictate concerning the element of intent: the challenged 'conduct must be sufficient to require a finding of deceitful intent *in light of all the circumstances*'." *Akron Polymer,* 148 F.3d at 1383, 47 U.S.P.Q.2d at 1535 (emphasis in original) (highly material information withheld from PTO). In *Akron Polymer,* this Court ruled that "[w]hen examining intent to deceive, a court must weight [sic] all the evidence, including evidence of good faith." *Id.* at 1384, 47 U.S.P.Q.2d at 1536. The Court did not limit that admonition to district courts.

Accordingly, the precedent-setting questions raised on page v herein should be answered as follows:

> (1) a panel of this Court which has not construed the claim of the patent in suit may not hold that material art has been withheld from the PTO; and
>
> (2) a panel of this Court must weigh all the evidence, including evidence of good faith, when examining intent to deceive;

otherwise materiality and intent cannot be deemed proved by clear and convincing evidence.

IV. CONCLUSION

Had the panel correctly comprehended the crucial factual issues of this case and followed the precedents of this Court, it would have found that the district court did in fact abuse its discretion in finding the '144 patent unenforceable. Although it may be that rehearings are infrequently granted by this Court, the panel's Opinion in this case is based on material errors of fact and law, the

correction of which requires a contrary judgment. Accordingly, rehearing is earnestly solicited.

Dated: February 24, 1999.

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APPENDIX 3

ELK'S REPLY TO GAF'S OPPOSITION TO THE PETITION FOR REHEARING AND SUGGESTION FOR REHEARING IN BANC

IN THE

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

Appeal No. 98-1369

ELK CORPORATION OF DALLAS,

Plaintiff-Appellant,

-v.-

GAF BUILDING MATERIALS CORPORATION,
BUILDING MATERIALS CORPORATION OF AMERICA,
BUILDING MATERIALS CORPORATION OF AMERICA d/b/a/
GAF MATERIALS CORPORATION, and
GAF MATERIALS CORPORATION,

Defendants-Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS IN 94-CV-249, JUDGE JORGE A. SOLIS

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TABLE OF CONTENTS

Page No.

TABLE OF AUTHORITIES II

I. GAF HAS MISREPRESENTED CRITICAL FACTS 1

A. Bettoli, Giles, Morgan and The PTO 1

II. THE CONFUSION CAUSED BY GAF IS SO GREAT THAT ELK'S CLAIMED INVENTION AND THE PRIOR ART HAVE BEEN MISUNDERSTOOD BY THE PANEL 4

III. CONCLUSION 7

TABLE OF AUTHORITIES

CASES

Akron Polymer Container Corp. v. Exxel Container, Inc., 148 F.3d 1380, 47 U.S.P.Q.2d (BNA) 1533 (Fed. Cir. 1998) 6, 7

Baxter Int'l. v. McGaw, Inc., 149 F.3d 1321, 47 U.S.P.Q.2d (BNA) 1225 (Fed. Cir. 1998) 5

Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., 162 F.3d 1113 (Fed. Cir. 1998) 5, 6

Joy Technologies, Inc. v. Flakt. Inc., 6 F.3d 770, 28 U.S.P.Q.2d (BNA) 1378 (Fed. Cir. 1993)..... 1

Sensonics Inc., v. Aerosonic Corp., 81 F.3d 1566, 38 U.S.P.Q. 2d (BNA) 1551 (Fed. Cir. 1996)..... 7

Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530, 218 U.S.P.Q. (BNA) 871 (Fed. Cir. 1983)..... 3

Unidynamics Corp. v. Automatic Prods. Int'l., 157 F.3d 1311, 48 U.S.P.Q.2d (BNA) 1099 (Fed. Cir. 1998).....5, 6

FEDERAL RULES

37 C.F.R. § 1.153..... 4

MISCELLANEOUS

MPEP § 1503.01 .....4, 5

ELK'S REPLY TO GAF'S OPPOSITION TO THE PETITION FOR REHEARING AND SUGGESTION FOR REHEARING IN BANC

"While vigorous advocacy is accepted, an officer of the court must not attempt to mislead the court." *Joy Technologies, Inc. v. Flakt, Inc.*, 6 F.3d 770, 777, 28 U.S.P.Q.2d (BNA) 1378, 1384 (Fed. Cir. 1993). As clearly demonstrated below, GAF engaged in precisely such an attempt in its opposition brief. It is ironic that GAF did so in an effort to persuade this Court that two Elk attorneys engaged in inequitable conduct.

I. GAF HAS MISREPRESENTED CRITICAL FACTS

A. Bettoli, Giles, Morgan and The PTO

On page 7 of its opposition brief, GAF writes:

> After this litigation was filed and GAF raised Elk's failure to cite Bettoli as a basis of its defense, Elk for the first time disclosed the Bettoli Patent to the PTO in connection with the '929 Case. Not surprisingly, the PTO immediately used Bettoli in conjunction with Giles as the basis for a rejection of the utility patent in the '929 Case. (A03343-51).

On page 9 of its brief, GAF continues:

> The District Court also recognized that the action of the PTO in '929 Case confirmed the conclusion that Bettoli is not cumulative of Morgan (A00018). Initially, the PTO relied upon Morgan – neither Bettoli or Giles had yet been disclosed – to reject the utility application in the '929 Case. However, upon Elk's reluctant and late disclosure of Bettoli and Giles on the '929 Case, the PTO withdrew its rejections based upon Morgan and rejected claims identical to the claim of the '144 Patent as obvious on the basis of Bettoli in combination with Giles. (A03343-51).

These GAF statements concerning Elk's disclosure of Bettoli and Giles in the '929 case and the PTO's rejection based on those references are false. GAF succeeded in confusing the district court regarding these critical facts and now seeks to continue to confuse this court as well.

The facts are as follows. Elk filed its '929 utility application, a continuation-in-part of the application of the design patent in suit, on February 1, 1994. (A03284, 3290). On that day, Thomas R. Felger, Esq., Paul Weaver and his co-inventors disclosed the Bettoli U.S. Patent No. 3,921,358 to the PTO twice: first, in the specification of the '929 application as filed (A03292) and second, in the information disclosure statement filed with the application (A03319-20). This litigation commenced on February 8, 1994 (A00034), the day the '144 design patent in suit issued. (A02046).

Mr. Felger mailed a Petition To Make Special to the PTO on March 23, 1994. (A03339-40). In his accompanying declaration, Mr. Felger noted that a prior art search had been made and that the results "are presented in a Supplemental Information Disclosure Statement filed this same day." (A03336). The Giles U.S. Patent No. 2,036,329 was submitted that day. (A03326-27).

On May 5, 1994 the Examiner considered Bettoli (A03320) and Giles (A03327) and signed the Office Action (A03351) which the PTO mailed on May 10, 1994. At that time, Elk's laminated shingle claims (A03303-08, A03331-33) were rejected "under 35 U.S.C. § 102(b) as being anticipated by Morgan Jr. et al., U.S. Patent No. 3,613,328 ('328)" (A03346) or "under 35 U.S.C. § 103 as being unpatentable over Morgan Jr. et al. ('328) in view of Morgan et al., U.S. Patent No. 3,624,975 ('975)", (A03348). **Not a single claim was rejected in light of Bettoli.** The Examiner rejected claims 1 and 3 as being unpatentable in view of Giles, but those claims read on non-laminated strip shingles, which Giles depicts. **Giles was not cited against a single laminated shingle claim.**

On page 13 of its September 8, 1998 brief to this Court GAF stated, "Elk disclosed both Bettoli and Giles in the '929 application due to GAF's assertion of inequitable conduct in this case." Elk advised the Court during oral argument that GAF's statement was incorrect, inviting attention to the record, page A06496, where it is noted that GAF did not advise Elk of its inequitable conduct contentions until May, 1994, months after Elk's submissions of Bettoli and Giles to the PTO. Elk again cited that page of the record in its petition for rehearing, page 12. To further aid the Court, Elk supplies herewith as an addendum a copy of GAF's actual letter of May 4, 1994 which was referenced on page A06496. The letter unquestionably demonstrates that GAF did not mention its inequitable conduct defense until months after Elk's submissions to the PTO.

Thus, Elk was neither "reluctant" nor "late" in its disclosures of Bettoli and Giles in the '929 case months before GAF's "fraud" assertions. Mr. Felger submitted those patents to the PTO immediately after learning of them. (A01706-11;01826-27;03292;03320). His predecessor attorney in the prosecution of Elk's design application, Mr. VanWinkle, did not consider the Bettoli and Giles patents pertinent to Elk's laminated shingle, and the '929 utility Examiner later agreed with that view. Further, GAF did not even mention Bettoli when it conferred with Elk at DFW Airport in January, 1994 and explained the prior art basis for its contention in its pending declaratory judgment case that Elk's design patent would be invalid. (A01727;02718;03784-87). None of these facts are mentioned in the district court's or the panel's decision. But "[i]t is jurisprudentially inappropriate to disregard

any relevant evidence on any issue in any case, patent cases included." *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538, 218 U.S.P.Q. (BNA) 871, 879 (Fed. Cir. 1983).

Even assuming that GAF's incorrect statement in its September 8, 1998 brief concerning Elk's disclosures of Bettoli and Giles in the '929 case was an innocent mistake. Elk pointed out the error at the oral argument, citing the record and again correctly stated the facts in its petition. One can only conclude that GAF is seeking in its opposition brief to continue to cause the confusion which has to date, resulted in its success in these proceedings. Note that the district court found, "[b]ecause the shingle submitted by Elk in its application is a Bettoli shingle, reason dictates that the Examiner would have used Bettoli rather than Morgan in her obviousness analysis if she had known of Bettoli." (A00016). That theme runs throughout GAF's opposition brief, as it has run through all GAF's arguments in these proceedings for nearly four years. But the only basis for the district court's finding was GAF's argument; the evidentiary record showed that a PTO Examiner fully aware of Morgan and Bettoli cited Morgan against Elk's laminated shingle claims and never mentioned Bettoli until later advised (by Elk's counsel Mr. Felger) of GAF's inequitable conduct contentions in this lawsuit. The criticality of GAF's misrepresentations is illustrated by reading the first full paragraph on page 9 of GAF's opposition brief and substituting the true facts regarding the prosecution of the '929 case for the false statements which GAF has provided. "[T]he action of the PTO establishes as a matter of law that" Morgan is more pertinent than Bettoli.

II. THE CONFUSION CAUSED BY GAF IS SO GREAT THAT ELK'S CLAIMED INVENTION AND THE PRIOR ART HAVE BEEN MISUNDERSTOOD BY THE PANEL

As noted in Elk's petition, rehearing is necessary in this case because the panel misapprehended Elk's claimed invention and the critical cited and uncited prior art. GAF does not deny the accuracy of the points of misapprehended fact raised by Elk, but GAF continues to mischaracterize Elk's claimed invention. GAF argues at page 3, "that the Panel accurately described Elk's claimed design [as] 'an improved Bettoli-type laminated shingle' with 'three horizontal striations that appear to blend into each other across a simulated shingle." That is not Elk's invention. As noted in Elk's appeal brief (pages 42, 43, 45 and 46), its reply brief (page 8) and its petition (pages 7-9) Elk fulfilled the requirements of 37 C.F.R. § 1.153 and MPEP § 1503.01 by advising the PTO that its inventors had ornamented a laminated shingle, the laminated shingle itself being prior art. The drawings show that invention, namely a prior art laminated shingle on which the visible backer strip regions have three striations of color which are interrupted by the prior art tabs which have relatively uniform coloration. (A02059-60). In responding to the Office Action, Mr. Felger stated that the invention was the "unique arrangement of color granules in three striations rather than modifying the physical structure of the shingle." (A02118). In its claim construction Order, the district court concluded "[i]t is thus apparent that the examiner understood the application was not claiming

the entire shingle and understood the claimed novel feature of the application." (A06310). None of the foregoing facts are addressed by GAF in its opposition brief.

Instead, GAF relies heavily on *Baxter Int'l v. McGaw, Inc.*, 149 F.3d 1321, 47 U.S.P.Q.2d (BNA) 1225 (Fed. Cir. 1998), citing it five times in its brief. The district court had cited the trial judge's *Baxter* decision while noting, "the duty to disclose material information does not mean that an applicant need only disclose the closest prior art." (A00017-18). Elk distinguished the *Baxter* decisions, which involved utility patents, in its July 27, 1998 appeal brief. Since then, this Court has issued two far more pertinent decisions, *Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co.*, 162 F.3d 1113, 1118-22 (Fed. Cir. 1998) and *Unidynamics Corp. v. Automatic Prods. Int'l*, 157 F.3d 1311, 1324, 48 U.S.P.Q.2d (BNA) 1099, 1107 (Fed. Cir. 1998), each of which dealt with design patents.

The *Baxter* utility patents covered a method for administering intravenous fluids and medications. Nothing in the patent applications or the cited references revealed anything about the uncited Borla injection site model which included all the features of the claimed invention except one. By contrast, a *design application* must identify "the article in which the design is embodied." Elk did that by identifying and depicting in the application drawings a prior art laminated shingle and by emphasizing during patent prosecution that the invention was the "unique arrangement of color granules", not a modification of "the physical structure of the shingle." The district court's claim construction Order states that the Examiner properly "understood the claimed novel feature of the application." (A06310). Although Elk did

not mention Bettoli by name, its "LAMINATED SHINGLE" title and its claim identified "the article in which the design [was] embodied by the name generally known and used by the public" (MPEP § 1503.01). As the district court noted, "laminated shingles were well known and widely used in the industry by 1991" (A06310) and as the panel observed, the Bettoli patent covered "two-ply, composite roofing shingles which are often referred to as 'laminated shingles'." (Opinion, page 2).

GAF's arguments on pages 13 and 14 of its opposition brief concerning the *Goodyear* and *Unidynamics* cases are without merit. Those two decisions make clear that the point of novelty, an essential element of the invention, must be considered when assessing whether uncited art is material. The district court correctly construed the point of novelty of Elk's claimed invention in its claim construction Order and noted that the Examiner had as well. Elk regarded the Noone patent as closest to the point of novelty because it showed a shingle where regions of two colors were separated by raised "tabs" of uniform color to give the "dimensional" look of a laminated shingle. (A02876-77). The Examiners in both the '144 patent and '929 patent cases regarded Morgan as most pertinent, the latter contending that Morgan's backer strip "second sheet" had "striations" of color separated by "first sheet" tabs of "unitary" color. (A03348-50). As noted above, page 2, the '929 Examiner made that rejection while fully aware of Bettoli and Giles.

The '144 patent Examiner had also been advised of Bettoli by Elk, albeit in the co-pending T-3 patent application. (A01503-04). Mr. VanWinkle regarded Bettoli as pertinent to the T-3 invention (*Id.*) as Mr. Weaver had.

(A04845). While not germane to the materiality issue, Elk's disclosure of Bettoli to the same Examiner in a co-pending application is certainly relevant to the issues of knowledge of materiality and intent. *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1384, 47 U.S.P.Q.2d (BNA) 1533, 1536 (Fed. Cir. 1998). Nothing in the panel's or the district court's decisions indicates that that evidence was weighed.

Similarly, nothing in the panel's opinion suggests that Elk's submission of the Johns-Manville brochure in the '144 case was weighed. GAF incorrectly avers on page 11 of its opposition brief that Elk has asserted that its citing that brochure "was intended as a disclosure of Bettoli." Elk has never argued any such thing. Elk has merely pointed out that its citing a brochure for a GAF licensee's Bettoli laminated shingle was inconsistent with an intent to withhold the existence of the Bettoli shingle from the PTO. As for the legibility of the brochure, the PTO had no problem accurately discerning the laminated shingle in the pictures. (A06276).

Regarding the Weaver memo (A04393), GAF contends that something in the memo itself provides "an incentive to be less than candid." (GAF opposition brief, page 11, footnote 5). GAF does not explain why Elk then provided all of the search results to its patent attorneys. Elk has always contended that the memo *in its entirety* demonstrates that Mr. Weaver regarded Noone as more pertinent than Giles. Looking only at the portion quoted by GAF on page 11, it is evident that Mr. Weaver saw the two references as being at least cumulative.

There is no mention in GAF's opposition brief of GAF's conduct, which completely corroborated Elk's testimony regarding Bettoli and Noone. Similarly, that conduct was never mentioned in the district court's or the panel's decisions. Under *Sensonics Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1570-71, 38 U.S.P.Q.2d (BNA) 1551, 1554-55 (Fed. Cir. 1996) and *Akron Polymer*, it should have been considered and weighed.

III. CONCLUSION

GAF's misrepresentations of fact and its efforts to confuse the issues cannot mask the fact that the district court abused its discretion in finding the '144 patent unenforceable, because there was no clear and convincing evidence of either materiality or intent. This case is of enormous commercial significance to both parties, but that cannot excuse GAF's conduct, especially because it should also be borne in mind that the reputations of three men are at stake here. Justice requires a rehearing and Elk reiterates its suggestion that the rehearing be in banc.

Dated: April 7, 1999

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APPENDIX 4

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

98-1369

ELK CORPORATION OF DALLAS,

Plaintiff-Appellant,

v.

GAF BUILDING MATERIALS CORPORATION, BUILDING MATERIALS CORPORATION OF AMERICA, BUILDING MATERIALS CORPORATION OF AMERICA d/b/a GAF MATERIALS CORPORATION, and GAF MATERIALS CORPORATION,

Defendants-Appellees.

Appeal from the United States District Court for the Northern District of Texas in 94-CV-249, Judge Jorge A. Solis.

APPELLANT ELK CORPORATION OF DALLAS' MOTION FOR A 90-DAY STAY OF THE MANDATE PENDING THE FILING OF A PETITION FOR A WRIT OF CERTIORARI IN THE SUPREME COURT

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April 22, 1999

MOTION FOR STAY OF MANDATE

I. Introduction

Pursuant to Fed. R. App. P. 41(d)(2), Plaintiff-Appellant Elk Corporation of Dallas ("Elk") respectfully moves this Court to stay the mandate in this case for 90 days pending its filing of a petition for a writ of certiorari in the Supreme Court of the United States. As discussed below, the petition will present substantial questions, and a stay is sought to forestall action by the trial court that could necessitate a remedial order of the Supreme Court if the writ of certiorari is granted.

II. Brief Review of These Proceedings

Unless stayed, this Court's mandate will issue on April 26, 1999 based upon the panel's February 11, 1999 decision which affirmed the district court's finding of inequitable conduct in the prosecution of Elk's U.S. Patent No. Des. 344,144 ("the '144 patent"). Believing that this Court had overlooked or misapprehended critical points of law and fact, Elk petitioned this Court for a rehearing of the panel's decision and suggested a rehearing in banc. On April 16, 1999, Elk's petition and suggestion were denied without comment.

III. Substantial Questions Will Be Presented To The Supreme Court

A. Elk's Petition Will Raise a Substantial Question Concerning Due Process of Law

The panel's decision construed the invention claimed in the '144 patent as "a two-ply, composite roofing shingle based on the Bettoli patent that utilized striations of

shading to *simulate the appearance of slate shingles*" (Op. p. 2) where the "striations appear to blend into each other across a simulated shingle" (Op. p. 7). That claim construction is unlike the district court's claim construction and unlike the claim constructions advanced by any of the parties to these proceedings.

In arriving at its claim construction, the panel considered documents relating to another Elk invention, not the patented invention in suit, in which Elk "tries to simulate the appearance of slate, not wood shingles." In upholding "the district court's findings of the high level of materiality of the Bettoli patent and the applicants' knowledge of that materiality", the panel cited those same documents, noting "that Mr. Weaver's letter, requesting a search report, revealed that the applicants knew that the new shingle was very similar to the shingle disclosed in the Bettoli patent." (Op. p. 8). Because the panel plainly confused the two Elk inventions, mixed up Mr. Weaver's citation of the Bettoli patent in the prosecution of one but not the other patent application, and on that basis attributed a wrongful intent to Mr. Weaver where there could be none, Elk petitioned for rehearing based on these and other errors.

The panel's decision raises a due process of law question which is substantial, especially in view of the fact that this Court has adopted a claim construction different from that of the district courts in nearly forty percent of recent cases it has considered.[1] Neither Mr.

---

[1] *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448, 1476 (Fed. Cir. 1998) (Rader, J. dissenting in part) (noting that the

Weaver, one of Elk's named inventors, nor any other Elk inventor, nor any of the attorneys involved, two of whom are named in the panel's opinion, were ever confronted with any questions concerning the invention as construed by the panel or Mr. Weaver's written statement quoted at the top of page 3 of the panel's opinion. That statement is the primary cited basis for the panel's decision on the issues of knowledge of materiality and intent. In accordance with the principles of due process of law, the Court should have remanded the inequitable conduct issue to the district court so that evidence could be taken and the Elk inventors and their attorneys afforded their constitutional right to controvert "by proof, every material fact which bears on the question of right in the matter involved." BLACK'S LAW DICTIONARY 500 (6th ed. 1990).

B. Elk's Petition Will Raise A Substantial Question Regarding The Duty of Disclosure

Another substantial question which the petition will present is the scope of the duty of disclosure of applicants and their attorneys. The effect of the panel's precedential opinion is to require all applicants and their attorneys to disclose all prior art of which they are aware to the United States Patent and Trademark Office during patent prosecution, without regard to their knowledge of materiality. Elk's witnesses testified that they did not regard the uncited Bettoli and Giles patents as material.

Federal Circuit has reversed "in whole or in part, . . . almost 40% of all claim constructions since *Markman I.*").

Their testimony regarding the materiality issue was corroborated by an Examiner's decision not to cite either patent against laminated shingle claims, which cover the shingle claimed in the '144 patent and other shingles as well, in a co-pending Elk utility application where Elk had cited both references. Their testimony was also corroborated by the defendants' failure to cite their own Bettoli patent in their declaratory judgment claim of invalidity of Elk's '144 patent in suit. Since that corroborating evidence is not mentioned in either the district court's or the panel's decisions, the only guidance that practitioners can glean from the precedential opinion is that all known prior art must be submitted because corroborating evidence of good faith will not be weighed by the Court if it disagrees with the patent owner's assessment of materiality. That is an important question that has not been, but should be, settled by the Supreme Court.

C. Elk's Petition Will Raise A Substantial Question Regrading the Supervisory Power of the Supreme Court

A further substantial question is whether the Supreme Court should exercise its supervisory power in this case in light of the panel's refusal to grant a rehearing under Fed. R. App. P. 40 after Elk had pointed out that the decision essentially denied Elk its right of appeal because the panel had (1) confused the invention of the '144 patent with an unrelated Elk invention, (2) misinterpreted critical cited and uncited art and (3) overlooked important facts. There is a reason for Fed. R. App. P. 40. It is a safety valve for litigants when appeals have been

wrongly decided and it gives Courts of Appeals the opportunity to correct their mistakes and prevent manifest injustice. The discretion inherent in Rule 40 is not absolute. The refusal to rehear this appeal was a clear abuse of discretion.

II. A Stay Will Avoid Action By the Trial Court That Could Necessitate A Remedial Order of the Supreme Court if the Writ of Certiorari Is Granted

There are at least two reasons why, in view of the substantial questions presented above, this Court should stay issuance of its mandate. First, the issue of attorneys fees in connection with this case was stayed in the court below pending the outcome of Elk's appeal of the trial court's decision on inequitable conduct in the prosecution of the '144 patent. (Order dated April 17, 1998, p. 2 (A00004) ("[Defendant-Appellee] GAF has informed the court that in light of the finding of inequitable conduct it will move to recover attorneys fees pursuant to 35 U.S.C. § 285. . . . The court hereby directs that GAF not file its motion for attorneys fees until after the conclusion of the appeal of the inequitable conduct issue.")). The disposition of Elk's petition for certiorari will determine whether the trial court will need to consider GAF's request.

The second reason for staying the mandate is that there is still pending before the same trial court a related case in which Elk has charged GAF with infringement of Elk's U.S. Pat. No. 5,369,929 ("the '929 patent"). The '929 utility patent issued from a continuation-in-part of the application for the '144 design patent which has been held to be unenforceable. GAF has advised Elk and the

trial court that, upon exhaustion of Elk's appeal of the trial court's inequitable conduct decision, GAF will seek to have the '929 patent declared unenforceable as a matter of law as "fruit of a poisonous tree." (December 3, 1997, Hearing Tr., p. 17, attached hereto; *see also* Order dated April 17, 1998, p. 2 (A00004) ("The court's finding of inequitable conduct . . . could affect some of the remaining issues, such as . . . whether the '929 patent is enforceable. . . . ")). Thus, the disposition of Elk's petition for certiorari will also directly affect the proceedings of the court below, albeit in a separate, but closely related case. In the circumstances, Elk respectfully submits that a 90-day stay of the mandate is warranted.

* * *

Counsel for the defendants-appellees have been consulted and do not consent to this motion.

Dated: April 22, 1999 — Respectfully submitted,

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CERTIFICATE OF INTEREST

Pursuant to Rule 47.4 of the Rules of Practice before the United States Court of Appeals for the Federal Circuit, counsel for Plaintiff-Appellant Elk Corporation of Dallas hereby affirms the following:

1. Elk Corporation of Dallas is the full name of the sole Plaintiff-Appellant.

2. Elk Corporation of Dallas is the real party in interest in this Appeal.

3. Elk Corporation of Dallas is a wholly-owned subsidiary of Elcor Corporation. Elcor Corporation has issued shares to the public, and is the only parent, subsidiary or affiliate of Elk Corporation of Dallas to have done so.

4. The names of all law firms and the partners and associates that appeared for Elk Corporation of Dallas in the trial court or are expected to appear in this court are:

   a. Larry D. Carlson, Peter A. Moir and David G. Wille of Baker & Botts, L.L.P.; and

   b. Arthur S. Tenser, Robert Neuner, John D. Murnane, and Neil P. Sirota, of Brumbaugh, Graves, Donohue & Raymond. Brumbaugh, Graves merged with Baker & Botts, L.L.P. in November, 1997.

Dated: April 22, 1999 Respectfully submitted,

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ELK CORP V. GAF BUILDING MATERIALS, 98-1369

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to Fed. Cir. R. 25, on [ ] this the 22nd day of April, 1999, a true and correct copy of APPELLANT ELK CORPORATION OF DALLAS' MOTION FOR A STAY OF THE MANDATE PENDING THE FILING OF A PETITION FOR A WRIT OF CERTIORARI IN THE SUPREME COURT was filed with the Court via facsimile transmission and served via facsimile transmission upon:

Samuel D. Rosen, Esq.
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In addition, the original and four true and correct copies of the motion were sent to the Clerk of the Court via Federal Express, and a true and correct copy was

served via Federal Express upon Samuel D. Rosen at the above address.

/s/ John D. Murnane
John D. Murnane

APPENDIX 5

U.S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE

Manual Of Patent Examining Procedure
Seventh Edition, July 1998

Chapter 2000 Duty of Disclosure

2001.04 Information Under 37 CFR 1.56(a)

37 CFR 1.56. Duty to disclose information material to patentability.

(a) A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section. The duty to disclose information exists with respect to each pending claim until the claim is cancelled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a claim that is cancelled or withdrawn from consideration need not be submitted if the information is not material to the patentability of any claim remaining under consideration in the application. There is no duty to submit information which is not material to

the patentability of any existing claim. The duty to disclose all information known to be material to patentability is deemed to be satisfied if all information known to be material to patentability of any claim issued in a patent was cited by the Office or submitted to the Office in the manner prescribed by §§ 1.97(b)-(d) and 1.98. However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct. The Office encourages applicants to carefully examine:

(1) prior art cited in search reports of a foreign patent office in a counterpart application, and

(2) the closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentably defines, to make sure that any material information contained therein is disclosed to the Office.

* * *

The language of 37 CFR 1.56 (and 37 CFR 1.555) has been modified effective March 16, 1992 to emphasize that there is a duty of candor and good faith which is broader than the duty to disclose material information. 37 CFR 1.56 further states that "no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct."

The Office strives to issue valid patents. The Office has both an obligation not to unjustly issue patents and an obligation not to unjustly deny patents. Innovation

and technological advancement are best served when an inventor is issued a patent with the scope of protection that is deserved. The rules as adopted serve to remind individuals associated with the preparation and prosecution of patent applications of their duty of candor and good faith in their dealings with the Office, and will aid the Office in receiving, in a timely manner, the information it needs to carry out effective and efficient examination of patent applications.

The amendment to 37 CFR 1.56 was proposed to address criticism concerning a perceived lack of certainty in the materiality standard. The rule as promulgated will provide greater clarity and hopefully minimize the burden of litigation on the question of inequitable conduct before the Office, while providing the Office with the information necessary for effective and efficient examination of patent applications. 37 CFR 1.56 has been amended to present a clearer and more objective definition of what information the Office considers material to patentability. The rules do not define fraud or inequitable conduct which have elements both of materiality and intent.

The definition of materiality in 37 CFR 1.56 does not impose substantial new burdens on applicants, but is intended to provide the Office with the information it needs to make a proper and independent determination on patentability. It is the patent examiner who should make the determination after considering all the facts involved in the particular case.

37 CFR 1.56 states that each individual associated with the filing and prosecution of a patent application

has a duty to disclose all information known to that individual to be material to patentability as defined in the section. Thus, the duty applies to contemporaneously or presently known information. The fact that information was known years ago does not mean that it was recognized that the information is material to the present application.

The term "information" as used in 37 CFR 1.56 means all of the kinds of information required to be disclosed and includes any information which is "material to patentability." Materiality is defined in 37 CFR 1.56(b) and discussed herein at MPEP § 2001.05. In addition to prior art such as patents and publications, 37 CFR 1.56 includes, for example, information on possible prior public uses, sales, offers to sell, derived knowledge, prior invention by another inventorship conflicts, and the like.

The term "information" is intended to be all encompassing, similar to the scope of the term as discussed with respect to 37 CFR 1.291(a) (*see* MPEP § 1901.02). 37 CFR 1.56(a) also states: "The Office encourages applicants to carefully examine: (1) prior art cited in search reports of a foreign patent office in a counterpart application, and (2) the closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentably defines, to make sure that any material information contained therein is disclosed to the Office." The sentence does not create any new duty for applicants, but is placed in the text of the rule as helpful guidance to individuals who file and prosecute patent applications.

It should be noted that the rules are *not* intended to require information *favorable* to patentability such as, for example, evidence of commercial success of the invention. Similarly, the rules are not intended to require, for example, disclosure of information concerning the level of skill in the art for purposes of determining obviousness.

37 CFR 1.56(a) states that the duty to disclose information exists until the application becomes abandoned. The duty to disclose information, however, does not end when an application becomes allowed but extends until a patent is granted on that application. The rules provide for information being considered after a notice of allowance is mailed and before the issue fee is paid (37 CFR 1.97(d)) and for an application to be withdrawn from issue because one or more claims are unpatentable (37 CFR 1.313(b)(3)) or for an application to be withdrawn from issue and abandoned so that information may be considered in a continuing application before a patent issues (37 CFR 1.313(b)(5)).

37 CFR 1.56 provides that the duty of disclosure can be met by submitting information to the Office in the manner prescribed by 37 CFR 1.96 and 1.98. 37 CFR 1.97 and 1.98 have been amended effective March 16, 1997 so that information will be submitted to the Office in the manner and at the time which will facilitate consideration by the examiner. Applicants are provided certainty as to when information will be considered, and applicants will be informed when information is not considered. The Office does not believe that courts should, or will, find violations of the duty of disclosure because of unintentional noncompliance with 37 CFR 1.97 and 1.98. If the

noncompliance is intentional, however, the applicant will have assumed the risk that the failure to submit the information in a manner that will result in its being considered by the examiner may be held to be a violation.

The Office does not anticipate any significant change in the quantity of information cited to the Office. Presumably, applicants will continue to submit information for consideration by the Office in applications rather than making and relying on their own determinations of materiality. An incentive remains to submit the information to the Office because is will result in a strengthened patent and will avoid later questions of materiality and intent to deceive. In addition, the new rules will actually facilitate the filing of information since the burden of submitting information to the Office has been reduced by eliminating, in most cases, the requirement for a concise statement of the relevance of each item of information listed in an information disclosure statement. It should also be noted that 37 CFR 1.97(h) states that the filing of an information disclosure statement shall not be considered to be an admission that the information cited in the statement is, or is considered to be, material to patentability as defined in 37 CFR 1.56.

2010 Office Handling of Duty of Disclosure/Inequitable Conduct Issues

Determination of inequitable conduct issues requires an evaluation of the intent of the party involved. While

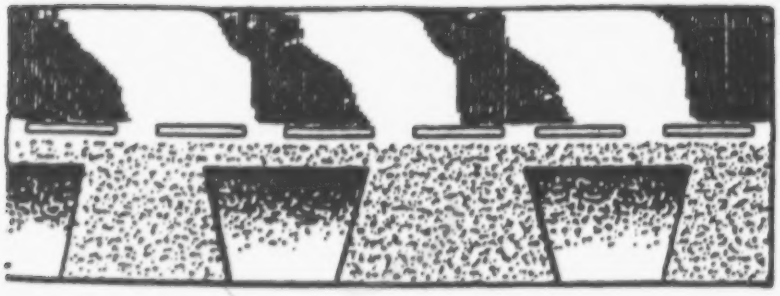
some court decisions have held that intent may be inferred in some circumstances, consideration of the good faith of the party, or lack thereof, is often required. In several court decisions, a high level of proof of intent to mislead the Office was required in order to prove inequitable conduct under 37 CFR 1.56. *See In re Harito,* 847 F.2d 801, 6 USPQ2d 1930 (Fed. Cir. 1988) and *FMC Corp. v. Manitowoc Co.,* 835 F.2d 1411, 5 USPQ2d 1112 (Fed. Cir. 1987). The Office is not the best forum in which to determine whether there was an "intent to mislead"; such intent is best determined when the trier of facts can observe demeanor of witnesses subjected to cross-examination. A court, with subpoena power, is presently the best forum to consider duty of disclosure issues under the present evidentiary standard for finding an "intent to mislead." The court proceeding involves two participating adverse parties. This is not the case in the Office, since even "protesting" parties are not permitted to participate under the rules. Also, it is the courts and not the Office that are in the best position to fashion an equitable remedy to fit the precise facts in those cases where inequitable conduct is established. Furthermore, inequitable conduct is not set by statute as a criteria for patentability but rather is a judicial application of the doctrine of unclean hands which is appropriate to be handled by the courts rather than by an administrative body. Because of the lack of tools in the Office to deal with this issue and because of its sensitive nature and potential impact on a patent, Office determinations generally will not deter subsequent litigation of the same issue in the courts on appeal or in separate litigation. Office determinations would significantly add to the expense and time involved

in obtaining a patent with little or no benefit to the patent owner or any other parties with an interest.

Accordingly, the Office does not investigate and reject original or reissue applications under 37 CFR 1.56. Likewise, the Office will not comment upon duty of disclosure issues which are brought to the attention of the Office in original or reissue applications except to note in the application, in appropriate circumstances, that such issues are no longer considered by the Office during its examination of patent applications. Examination of lack of deceptive intent in reissue applications will continue but without any investigation of inequitable conduct issues. Applicant's statement of lack of deceptive intent normally will be accepted as dispositive except in special circumstances such as an admission or judicial determination of fraud or inequitable conduct. *See* MPEP § 2022.05.

APPENDIX 6

Combination Of Bettoli Patent And Giles Patent



FILED
AUG 26 1999
OFFICE OF THE CLERK

No. 99-118

IN THE

Supreme Court of the United States

ELK CORPORATION OF DALLAS,

Petitioner,

—v.—

GAF BUILDING MATERIALS CORPORATION, BUILDING MATERIALS CORPORATION OF AMERICA, BUILDING MATERIALS CORPORATION OF AMERICA d/b/a GAF MATERIALS CORPORATION, and GAF MATERIALS CORPORATION,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

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14pp

TABLE OF CONTENTS

TABLE OF CONTENTS i

TABLE OF AUTHORITIES ii

A. The Applicability of PTO Rule 56 was "Pressed And Passed On" Below. 2

B. PTO Rule 56 Has The Force Of Law. 4

C. Current Rule 56 Applies Because Elk's Patent Was Pending On The Effective Date of The Rule. 7

D. The Result In This Case Would Change If Current Rule 56 Were Applied. 8

TABLE OF AUTHORITIES

FEDERAL CASES

A.B. Dick Co. v. Burroughs Corp., 798 F.2d 1392 (Fed. Cir. 1986) 10

Batterton v. Francis, 432 U.S. 416 (1977) 4,5

Capital Cities Cable, Inc. v. Crisp, 467 U.S. 691 (1984) . 3

Chrysler Corp. v. Brown, 441 U.S. 281 (1979) 5

Critikon, Inc. v. Becton Dickinson Vascular Access, Inc., 120 F.3d 1253 (1997), *cert. denied*, 523 U.S. 1071 (1998) 1,2

Lebron v. National R.R. Passenger Corp., 513 U.S. 374 (1995) 2

Ledo Fin. Corp. v. Summers, 122 F.3d 825 (9th Cir. 1997) 6

Levin v. Mississippi River Fuel Corp., 386 U.S. 162 (1967) 3

Molins PLC v. Textron, Inc., 48 F.3d 1172 (Fed. Cir. 1995) 8,9

Murphy v. FDIC, 61 F.3d 34 (D.C. Cir. 1995) 6

O'Melveny & Myers v. FDIC, 512 U.S. 79 (1994) 6

Stevens v. Department of Treasury, 500 U.S. 1 (1991) . . . 2

United States v. Haggar Apparel Co., __ U.S. __, 119 S. Ct. 1392 (1999) 6

United States v. Nixon, 418 U.S. 683 (1974) 4

United States v. Williams, 504 U.S. 36 (1992) 2

Virginia Bankshares, Inc. v. Sandberg, 501 U.S. 1083 (1991) 2

STATUTES

5 U.S.C. § 553 6

28 U.S.C. § 1254 4

35 U.S.C. § 6(a) 5,6

35 U.S.C. § 135(a) 5

37 C.F.R. 1.56(b)(2)(ii) (1996) 1,5,10

37 C.F.R. § 10.23(c) 5

57 Fed. Reg. 2021 (1992) 7,8

GAF's Opposition acknowledges the conflict between the Federal Circuit and the Patent and Trademark Office ("PTO") regarding the legal standard for determining wi[illegible]ior art is "material" to a patent application. Yet GAF urges the Cour[illegible] to ignore the conflict, despite its significant impact on the processing of patents by the PTO and on patent litigation in the courts.[1]

As matters now stand, the owner of a patent granted by the PTO, after full compliance with PTO Rule 56, may nevertheless lose the right to enforce the patent because the Federal Circuit refuses to accept the PTO's considered judgment regarding the information that must be submitted *to the PTO* with a patent application. Without ever explaining why, the Federal Circuit has completely negated the two-year rulemaking proceeding that culminated in current PTO Rule 56, and has in effect declared that it likes the old Rule better.

The urgency of Elk's petition, never addressed by GAF, is underscored by the fact that the Federal Circuit has never acknowledged its conflict with the PTO. The conflict only surfaced in this case during oral argument. (Appendix G to Petition, p. 81a). Two years ago, in *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257 (1997), *cert. denied*, 523 U.S. 1071 (1998), the Federal Circuit mixed the old and new versions of Rule 56, stating:

> [t]he starting point in determining materiality is the definition of the PTO, which recites, in part, as follows: 'information is material to patentability when it is not cumulative to information already of record in the application, and . . . [i]t refutes, or is inconsistent with, a position the applicant takes in: . . . [a]sserting an argument of patentability.' 37 C.F.R. 1.56(b)(2)(ii) (1996) (omissions in original).

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[1] Since March 1992, the PTO has issued approximately 930,000 patents. The issue presented in this case is potentially applicable to pending or future litigation involving any of those patents.

While the Federal Circuit quoted most of the current Rule, it *omitted* the "*prima facie* case of unpatentability" standard, and applied the *old* Rule's reasonable examiner standard. 120 F.3d at 1257, 1258.[2]

The Federal Circuit was created to bring uniformity and cohesion to the administration of the nation's patent laws. But the Federal Circuit has now quietly, and without explanation, rejected a PTO promulgated standard, which was adopted after lengthy and considered deliberation, and which affects every United States patent and nearly all patent litigation. In these circumstances, there is a compelling need to resolve the conflict presented in this case so that inventors, patent attorneys, patent agents and the courts will know whether the PTO Rules, or federal common law, govern conduct before the PTO.

A. The Applicability of PTO Rule 56 was "Pressed And Passed On" Below.

GAF asserts that the Petition should be denied because the issue raised by Elk "was neither argued nor decided below." Opp. at 11. While it is true that this Court generally refuses to grant certiorari when "the question was not pressed or passed on below," neither of those circumstances applies in this case. *United States v. Williams*, 504 U.S. 36, 41 (1992).[3] In this case, the applicability of current Rule 56 was

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[2] GAF contends that the Federal Circuit was correct in applying old Rule 56 in this case because Elk's patent application was filed before the March 16, 1992 effective date of new Rule 56. Opp. at 20. But in *Critikon* one of the patents under review issued in October 1993 on an application filed in December 1991. Thus, *even according to the Federal Circuit*, as well as the PTO, current Rule 56 should be applicable in cases like this one, where the patent-in-suit issued in February 1994 on an application filed in September 1991.

[3] The rule "operates (as it is phrased) in the disjunctive, permitting review of an issue not pressed so long as it has been passed upon." *Id.*; *accord Lebron v. National R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995); *Virginia Bankshares, Inc. v. Sandberg*, 501 U.S. 1083, 1099 n.8 (1991); *Stevens v. Department of Treasury*, 500 U.S. 1, 8 (1991). Similarly, this Court has (continued...)

pressed by both Elk *and* GAF, and was passed on in both the district court and in the Federal Circuit.

First, in its briefs to the district court, Elk pressed the issue by arguing that the standard of materiality is governed by current Rule 56.[4] Subsequently, in its October 10, 1997 Order addressing GAF's inequitable conduct claim, the district court agreed that current Rule 56 controls, stating that "Elk's compliance with its duty to disclose all material information must be judged by the standards of the current version of [PTO Rule 56]," which the court observed "requires disclosure of any information which would make out a *prima facie* case against the patent, irrespective of whether the applicant could ultimately overcome it." Appendix B to Petition, pp. 17a - 18a. The district court purported to apply the materiality standard of the current Rule in its decision, but in actuality, it applied the old Rule. Petition pp. 4-6.

Subsequently, at the Federal Circuit, *both* Elk and GAF continued to argue that the standard under current Rule 56 is controlling. GAF noted that Elk was "subject to" the standards of old Rule 56 and current Rule 56, GAF quoted the current Rule 56 definition of information "material to patentability" and GAF concluded that "[t]he March 1992 standard requires disclosure of any information that would make out a *prima facie* case against the application." GAF Appeal Brief pp. 28-29. During oral argument, counsel for Elk expressly pressed the issue, explaining that the uncited prior art was not material because "it does not together or with something else render the claim unpatentable." (Appendix G to Petition, p. 81a). That is nearly a direct quote from

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[3] (...continued)
granted certiorari in instances where an issue was raised by a party below, but not ruled upon by the lower court. *See Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 697-98 (1984); *Levin v. Mississippi River Fuel Corp.*, 386 U.S. 162, 170 (1967).

[4] Elk Prehearing Br. pp. 5-6 n.2; Elk Posthearing Br. p. 11. In its prehearing brief at page 8, *GAF* asserted that "the sole question before this Court in the bench trial is whether the prior art Elk wilfully withheld -- either alone or together with other prior art -- made out a *prima facie* case of obviousness."

current Rule 56. In response, the court stated: "that's not the test." *Id*; *see* Petition at 7-8.

In its opinion, the Federal Circuit expressly applied the "important to a reasonable examiner" standard of old Rule 56 stating: "Information is 'material' when there is a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent." (Appendix A, p. 9a). Thus, it is clear that the issue was "passed on" by the Federal Circuit.

GAF argues that certiorari should be denied because Elk did not seek rehearing of the Federal Circuit's failure to apply current Rule 56. Opp. at 10, 11-12. However, there is no requirement that a litigant even *ask* for rehearing in the court of appeals on a particular issue before petitioning for certiorari on that issue.[5] Obviously, therefore, the issues that may be raised on certiorari are not limited to those that are presented in a petition for rehearing. Practically speaking, there is little hope that the en banc Federal Circuit will ever address the issue presented in this case, in view of the *sub silentio* rejection of the current Rule by at least four different panels. *See* Petition at 22 n.32.

B. PTO Rule 56 Has The Force Of Law.

The Federal Circuit may not ignore current PTO Rule 56 because it is a procedurally valid legislative rule, and thus is binding on the courts.[6] GAF asserts that PTO Rule 56 has no binding effect on the federal courts, arguing that it merely provides "guidance" on the judicially-created doctrine of inequitable conduct. Opp. at 19.

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[5] Indeed, in some circumstances, certiorari may be granted even before the court of appeals has rendered a judgment. *See* 28 U.S.C. § 1254 (certiorari may be granted "before or after rendition of judgment").

[6] *See Batterton v. Francis*, 432 U.S. 416, 425 (1977); *United States v. Nixon*, 418 U.S. 683, 696 (1974).

To determine whether an agency action is a legislative rule, as opposed to a "guideline" or "policy statement," courts look to whether the action (1) affects individual rights and obligations, (2) was promulgated pursuant to express statutory authority, and (3) conforms with the notice and comment requirements of the Administrative Procedure Act.[7] Current Rule 56 meets those requirements.[8]

First, failure to provide "material" information, as defined by Rule 56, could result in a finding of inequitable conduct, and the denial of the patent.[9] Further, in interference proceedings under 35 U.S.C. § 135(a), the PTO may deny a patent based on failure to provide "material" information under Rule 56. Finally, under 37 C.F.R. § 10.23(c), the "materiality" standard of Rule 56 is applied by the PTO to determine whether a practitioner should be suspended or barred from practicing before the PTO due to inequitable conduct during the patent prosecution process. Thus, the Rule obviously affects the rights and obligations of applicants and practitioners before the PTO.

Second, in 35 U.S.C. § 6(a), Congress specifically delegated to the PTO the power to "superintend or perform all duties required by law respecting the granting and issuing of patents and the registration of trademarks." The PTO also has the power to "establish regulations, not inconsistent with law, for the conduct of proceedings in the [PTO]." *Id.* Pursuant to that delegated authority, the PTO promulgated regulations governing the patent application process, including Rule 56. Thus, Rule 56 is a valid exercise of delegated authority under a specific statute, 35 U.S.C. § 6(a).

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[7] *Chrysler Corp. v. Brown*, 441 U.S. 281, 302 (1979); *accord Batterton*, 432 U.S. at 425 n.9.

[8] As Elk pointed out in its Petition, at 11 n.11, the lower courts, including the predecessor to the Federal Circuit, have recognized that PTO Rule 56 is a legislative rule with the force and effect of law. GAF's Opposition completely ignores those decisions.

[9] 37 C.F.R. § 1.56(a) (Appendix F to Petition p. 68a; GAF Appendix 5 p. App. 53.

Third, Rule 56 was promulgated by the PTO in full compliance with the notice and comment requirements of the Administrative Procedure Act, 5 U.S.C. § 553. *See* Petition at 21-22. Thus, as a matter of law, Rule 56 is a legislative rule, and not a "guideline" or "policy statement."

GAF asserts that Rule 56 is not binding because it merely interprets a judicially-created doctrine. Opp. at 15-17. However, a claim of inequitable conduct requires a showing of *two* factors: materiality and intent. While the PTO has observed that the courts are better equipped procedurally to determine intent, the PTO obviously is in the best position to define what information is material *to the PTO's* consideration of a patent application. Because there is a direct conflict between the common law standard of materiality developed by the Federal Circuit and the regulatory standard promulgated by the PTO, the common law standard is pre-empted, and Rule 56 controls. *See* Petition at 12-13.[10] GAF's Opposition does not address that point.

GAF further asserts that the Federal Circuit is not bound by Rule 56 because inequitable conduct is "a decision committed to the discretion of the courts." Opp. at 17. However, it is beyond dispute that if Congress were to legislate a standard of materiality, the courts would be bound to apply it. It is also indisputable that legislative rules have the same force and effect of law as federal statutes. Requiring the courts to apply current Rule 56 does not impinge on the powers of the judiciary, but merely requires that they follow federal law in determining one of the elements of a claim of inequitable conduct.

In *United States v. Haggar Apparel Co.*, __ U.S. __, 119 S. Ct. 1392, 1399 (1999), this Court rejected the argument that where a court is empowered to conduct *de novo* review of agency action, it need not give *Chevron* deference to the applicable agency regulations. The Court stated:

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[10] *O'Melveny & Myers v. FDIC*, 512 U.S. 79, 87 (1994); *Murphy v. FDIC*, 61 F.3d 34, 35, 38-40 (D.C. Cir. 1995); *Ledo Fin. Corp. v. Summers*, 122 F.3d 825, 829 (9th Cir. 1997).

> Valid regulations establish legal norms. Courts can give them proper effect even while applying the law to newfound facts, just as any court conducting a trial in the first instance must conform its ruling to controlling statutes, rules, and judicial precedents. . . . *De novo* proceedings presume a foundation of law. The question here is whether the regulations are part of that controlling law. Deference can be given to the regulations without impairing the authority of the court to make factual determinations and to apply those determinations to the law, *de novo*.

Id. In this case, while the court must make factual determinations regarding materiality and intent, it may not ignore the controlling *legal* standard of materiality set forth in Rule 56 when it makes those determinations.[11]

C. Current Rule 56 Applies Because Elk's Patent Was Pending On The Effective Date of The Rule.

GAF asserts that certiorari should be denied because the patent application that resulted in Elk's design patent was filed before current Rule 56 became effective. Opp. at 20. However, GAF fails to address the fact that, in adopting the current standard, the PTO expressly stated

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[11] GAF also argues that, in promulgating Rule 56, the PTO recognized that the determination of inequitable conduct is a question for the courts. Opp. at 18-19. However, the PTO anticipated that the materiality standard of current Rule 56 would be applied by the courts in making that determination:

> *Comment 12.* One comment stated that the proposed § 1.56 definition [of materiality] would be difficult to apply in litigation in which a different burden-of-proof standard is applied.
>
> *Reply:* The definition of information material to patentability includes standards which are familiar to the Federal courts and which are capable of being handled like other issues. 57 Fed. Reg. 2021, 2025 (Jan. 17, 1992).

that it would apply to all applications pending on the effective date, March 16, 1992.[12] There is no dispute that the patent application that resulted in Elk's design patent was pending in the PTO on the effective date of Rule 56, and remained pending for nearly two years thereafter, until February 8, 1994. Although GAF argues that this case is "unique," it is not. Elk identified other cases where the Federal Circuit failed to apply the current Rule where the patent application was pending on the Rule's effective date. *See* Petition at 22 n.32.

More importantly, GAF provides no reason *why* it would be more appropriate to take up the legal question presented by this case in the future, rather than now. The Federal Circuit is the only Circuit authorized to hear appeals in patent cases, and although it has never explained its reasoning, its position on this issue is clear. The issue should not be allowed to evade further review simply because the Federal Circuit refuses to talk about it. If the current PTO Rule controls, then it controls in this case just as clearly as in cases where the application was filed after the effective date of the current Rule. In *neither* case does the Federal Circuit have discretion to ignore the Rule. It has been more than *seven years* since the current PTO Rule was issued, and there is no good reason to postpone this Court's confirmation of its binding effect any further.

D. The Result In This Case Would Change If Current Rule 56 Were Applied.

GAF's final argument is that the result in this case would not change because "Elk's conduct contravenes both versions of Rule 56." Opp. at 21-25. However, GAF's argument is based on findings made by the district court under the *old* standard. That argument ignores the fundamental change in the legal standard of materiality under current Rule 56, and is based on the unspoken premise that there is no real

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[12] 57 Fed. Reg. 2021 (1992) ("Effective Date: March 16, 1992. These rules will be applicable to all applicants and reexamination proceedings pending or filed after the effective date."); *see also Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179 n.8 (Fed. Cir. 1995).

difference between the test under current Rule 56 and the test under old Rule 56, as applied by the Federal Circuit. The standard of materiality under current Rule 56 is dramatically different from the standard applied by the Federal Circuit, and was promulgated by the PTO for the express purpose of eliminating the harsh and grossly inconsistent effects of Federal Circuit precedent. *See* Petition at 14-22, 24-28. In this case, while the district court acknowledged at the outset that current Rule 56 controlled, it followed Federal Circuit precedent in making its actual materiality determination. The district court failed to recognize that all of the existing Federal Circuit precedent interprets and applies the old "reasonable examiner" standard that was rejected when current Rule 56 was promulgated.

In particular, although the district court agreed "with Elk that its claimed invention is not obvious," and therefore not *prima facie* unpatentable, it relied on the Federal Circuit decision in *Molins*, 48 F.3d at 1178-80, for the proposition that whether "the claims may be patentable over the withheld prior art is not the test for materiality," and therefore deemed the nonobviousness of Elk's invention irrelevant to its materiality determinations. Appendix B to Petition p. 21a n.5.[13] The court failed to recognize that, contrary to *Molins*, under the legal standard of current Rule 56, the question of whether the claims are *prima facie* "patentable over the withheld prior art" *is exactly the test* for materiality. Under current Rule 56, the district court's construction of Elk's patent claim and its finding that Elk's claim was not obvious in view of the uncited art should have been dispositive of the issue of materiality.[14]

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[13] *See also id.* at 31a ("The court agrees that Elk indeed made a unique discovery with its claimed innovation which was superior to the strip shingle and shadow line prior art.")

[14] The district court also failed to recognize that the holding in *Molins* on which it relied was based on the old "reasonable examiner" test, and was derived from the Federal Circuit's prior decision in *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392 (Fed. Cir. 1986), which current Rule 56 was expressly intended to overrule. *See* Petition at n.39.

Under current Rule 56, information is material if, *on its face*, it would render the claimed invention unpatentable. 37 C.F.R. § 1.56(b). Thus, step one of the analysis of materiality under the current rule is to consider the *claimed invention*. In this case, the Federal Circuit decided the key issues of materiality and intent, not with reference to the invention claimed in the patent-in-suit, but instead with regard to a different Elk invention, Elk's T-3 shingle, which is covered by a different Elk patent. (GAF Appendix 2 pp. App. 10-12). Had the district court and the Federal Circuit properly applied the materiality standard of current Rule 56, they would have construed the invention claimed in Elk's patent and determined whether the uncited art rendered it *prima facie* unpatentable. The district court's essential agreement with Elk that its claimed invention was *not prima facie* unpatentable should have been the end of the inquiry.[15]

Respectfully submitted,

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[15] As for GAF's other arguments (Opp . at 23-25), in the Federal Circuit, Elk explained that the "deceptive argument" and "GS High Sierra" grounds for inequitable conduct found by the district court were clearly erroneous, and the Federal Circuit did not rely on those grounds. Elk's Appeal Br. pp. 20-23, 26-28, 30-31, 37-38, 44-46; Elk's Reply pp. 8, 11-19. The district court's "deceptive argument" ruling, based on the finding of materiality, contradicted its prior "Order Re: Construction of Patent Claims." *See* Petition at 5-6.